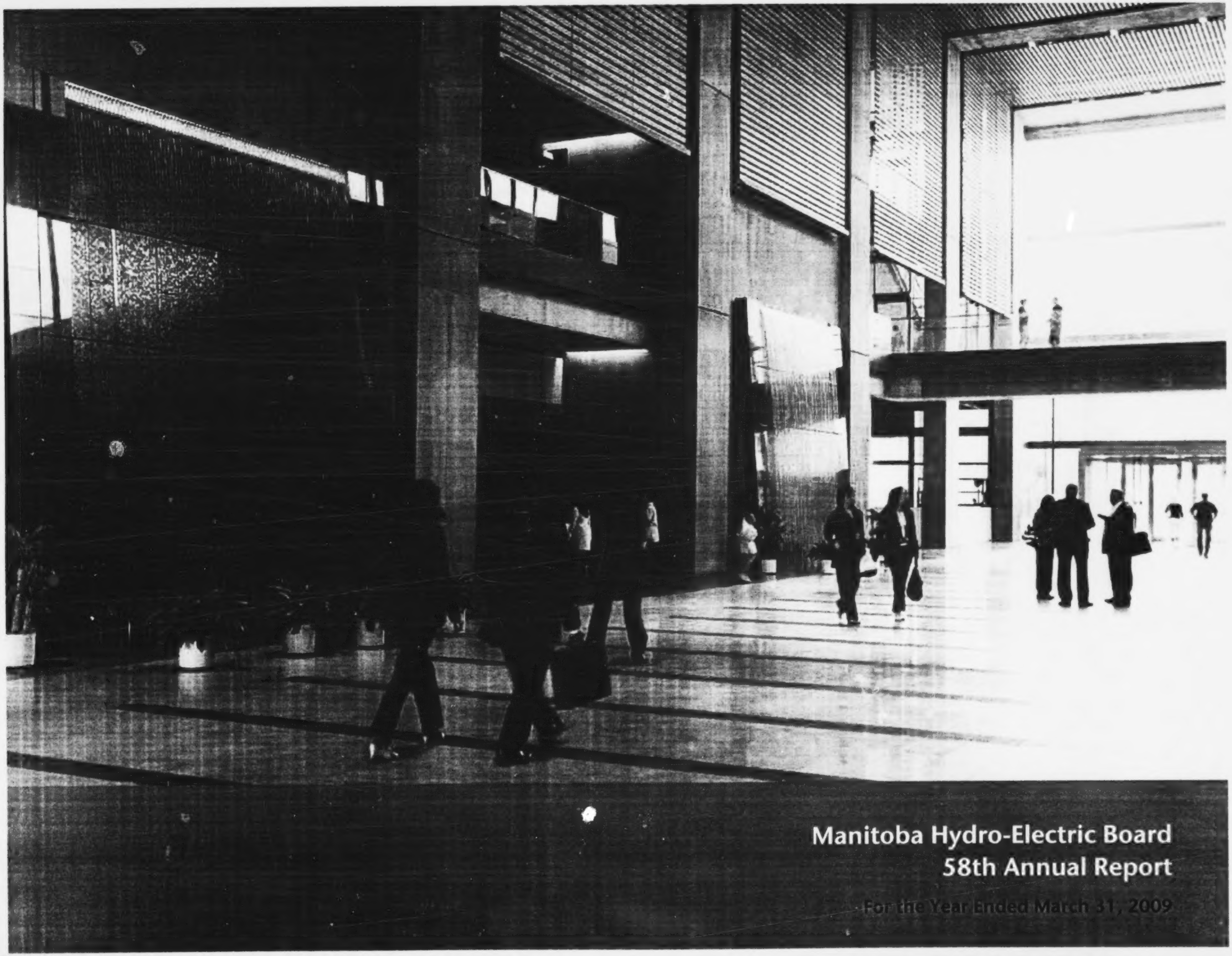
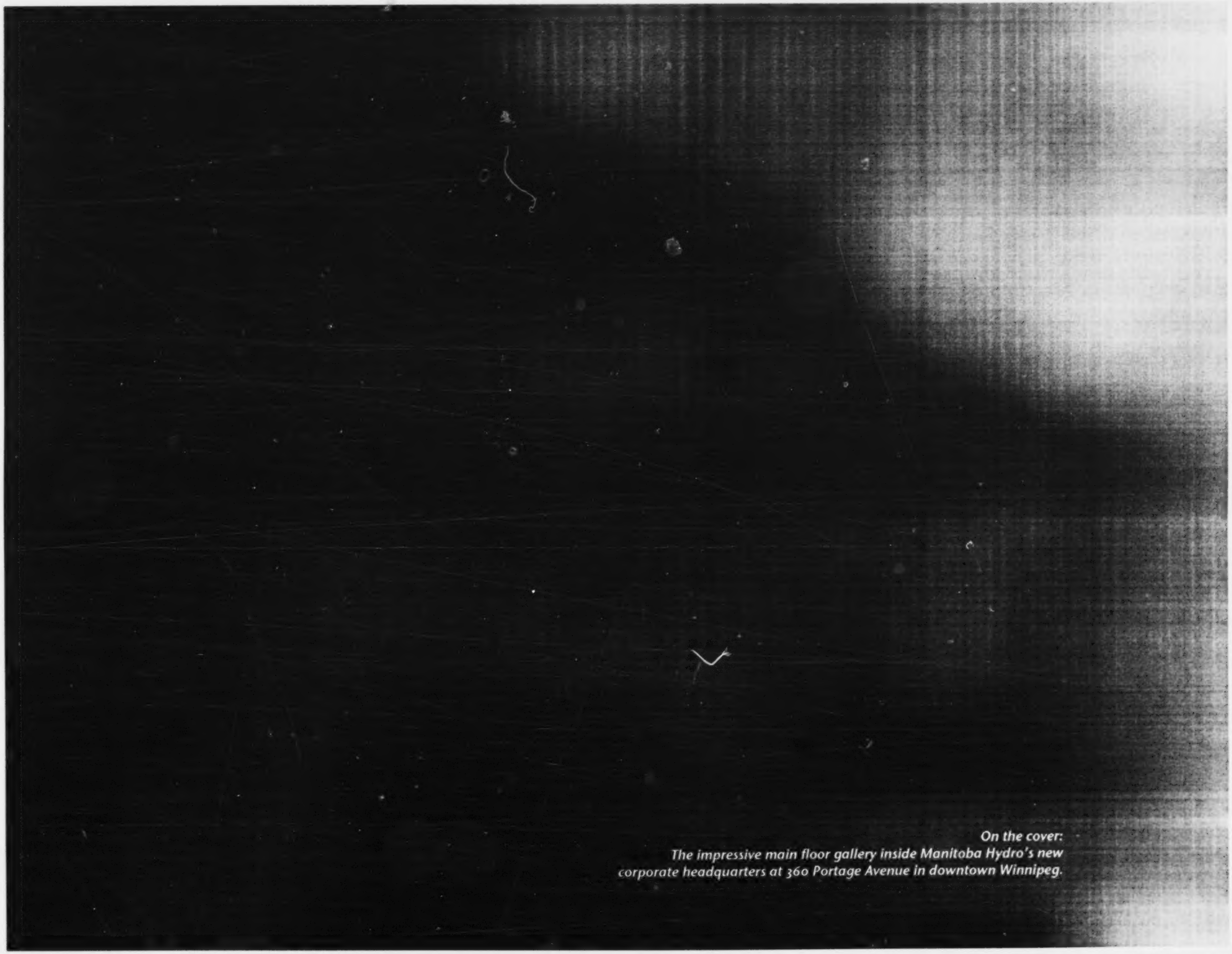


Manitoba Hydro-Electric Board
58th Annual Report

For the Year Ended March 31, 2009



On the cover:
The impressive main floor gallery inside Manitoba Hydro's new corporate headquarters at 360 Portage Avenue in downtown Winnipeg.

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Vous trouverez le rapport en francais sur le site Web de Manitoba Hydro a l'adresse suivante : www.hydro.mb.ca

Corporate profile

Manitoba Hydro is a provincial Crown Corporation, providing electricity to over 527 000 customers throughout the province and natural gas service to over 263 000 customers in various communities. The corporation also imports and exports electricity within wholesale markets in Canada and the mid-western United States.

Nearly all of Manitoba Hydro's electricity is generated from clean, self-renewing waterpower. On average, about 30 billion kilowatt-hours of electricity are generated annually, with 98 per cent of the total produced from 14 hydroelectric generating stations, primarily on the Winnipeg, Saskatchewan, and Nelson rivers. The remainder of the province's energy needs is produced by two thermal generating stations and four small remote diesel generating stations. Power is also purchased from an independent wind farm at St. Leon, Manitoba.

Manitoba Hydro also delivers natural gas to nearly 100 communities—primarily in the southern part of the province. Natural gas is purchased from producers in Alberta and transported to the province through the TransCanada Pipeline network.

Widely known for its quality of service and reliability, the corporation aggressively promotes energy conservation through a multitude of residential, commercial, and industrial Power Smart* programs. In addition, Manitoba Hydro is the only Canadian utility that participates as a member of an international transmission organization—the Midwest Independent System Operator.

A respected corporate citizen, Manitoba Hydro is also well-known for its prudent environmental practices, its renowned employee volunteerism, its strong relationships with Aboriginal peoples, and its outstanding community support.

Governance of the corporation is carried out through The Manitoba Hydro-Electric Board, whose members are appointed by the Lieutenant-Governor in Council.

Manitoba Hydro is a licensee of the Trademark and Official Mark.

Vision, mission and goals

VISION

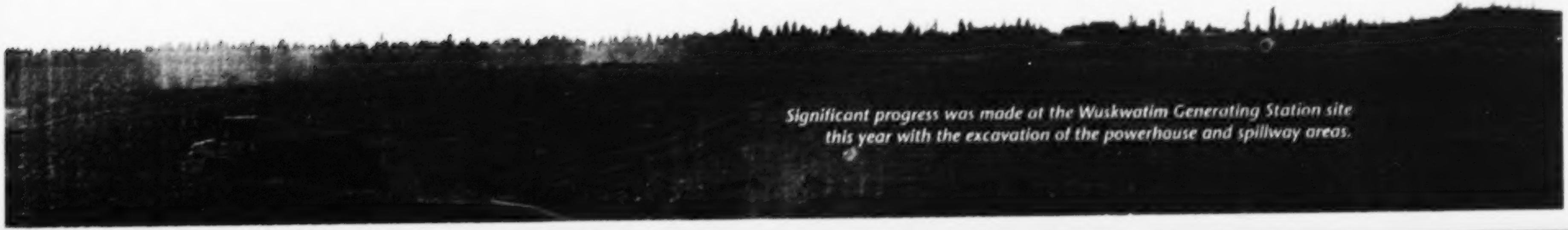
To be the best utility in North America with respect to safety, rates, reliability, customer satisfaction, and environmental leadership, and to always be considerate of the needs of customers, employees, and stakeholders.

MISSION

To provide for the continuance of a supply of energy to meet the needs of the province and to promote economy and efficiency in the development, generation, transmission, distribution, supply, and end-use of energy.

CORPORATE GOALS

- Improve safety in the work environment.
- Provide customers with exceptional value.
- Be a leader in strengthening working relationships with Aboriginal peoples.
- Improve corporate financial strength.
- Maximize export power net revenues.
- Attract, develop and retain a highly motivated workforce that reflects the demographics of Manitoba.
- Be proactive in protecting the environment and the leading utility in promoting sustainable energy supply and service.
- Be an outstanding corporate citizen.
- Proactively support agencies responsible for business development in Manitoba.
- Be a national leader in implementing cost-effective energy conservation and emerging energy systems.

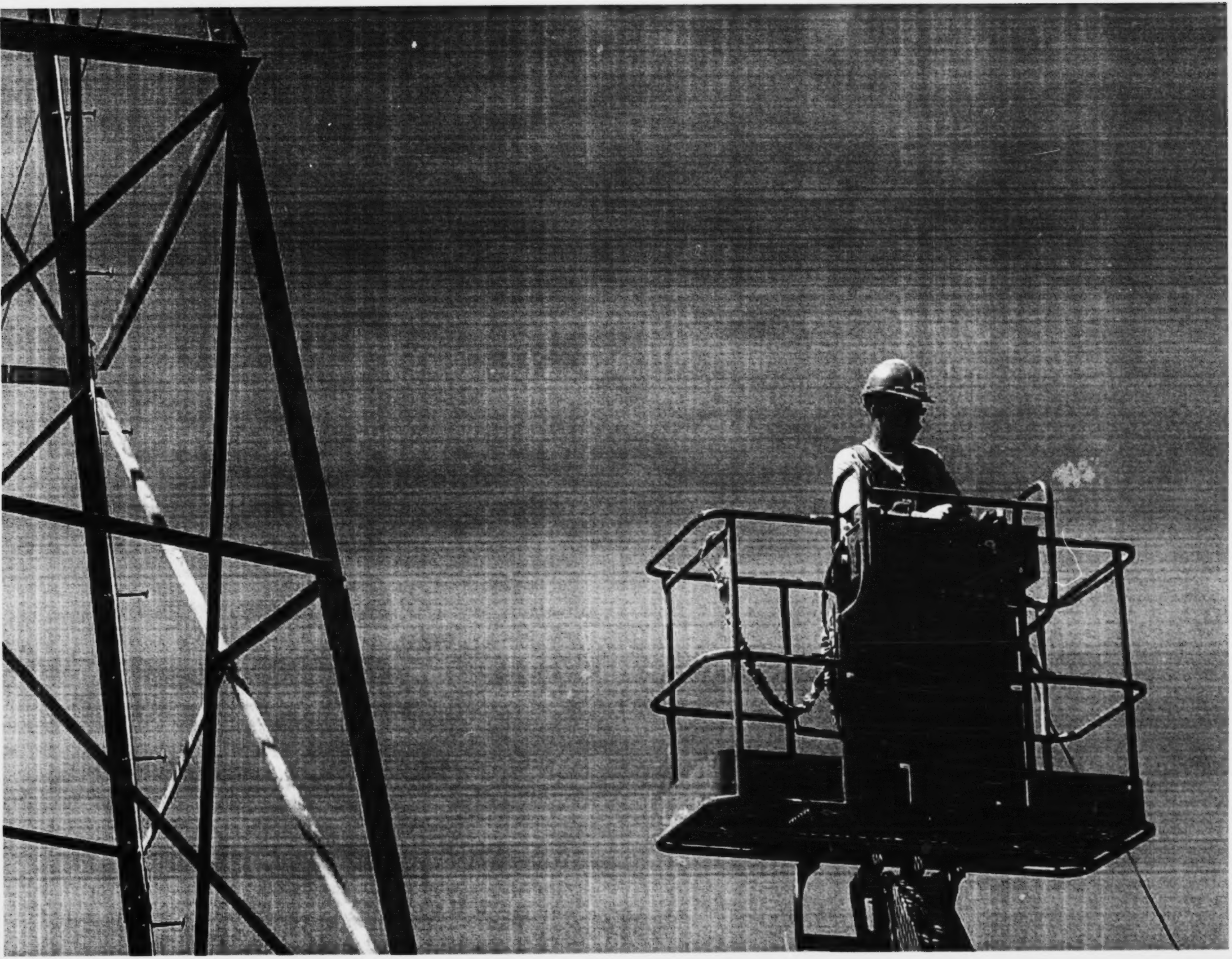


Significant progress was made at the Wuskwatim Generating Station site this year with the excavation of the powerhouse and spillway areas.

The year's highlights

- Manitoba Hydro recorded a net income of $298 million in the fiscal year.
- The contract for the Wuskwatim Generating Station's general civil construction work was awarded in November 2008.
- In December 2008, employees began moving into their new corporate headquarters at Manitoba Hydro Place in downtown Winnipeg.
- Public meetings and open houses for the Bipole III transmission line were initiated—the first of several rounds of public consultation.
- Manitoba Hydro signed a term sheet with Wisconsin Public Service to provide up to 500 MW of clean, renewable hydro power over 15 years, starting in 2018.
- A milestone was reached with concurrence on the Joint Keeyask Development Agreement (JKDA) with all four First Nation communities voting to ratify the JKDA and their respective Adverse Effect Agreements—a major step forward in developing the future Keeyask Generating Station.
- The corporation's popular Power Smart Residential Loan Program surpassed $185 million in loans for energy efficient renovations since the program's inception.
- Manitoba Hydro and the Province of Manitoba were recognized once again by the Canadian Energy Efficiency Alliance for their shared commitment to promoting the wise use of energy in the marketplace.
- Negotiations commenced with Babcock and Brown Canada ULC in response to their proposal to develop a 300 MW wind farm at St. Joseph, Manitoba.
- The corporation introduced a pilot program for fixed rates on primary gas usage, in addition to its quarterly natural gas rate adjustments.
- A new system peak of 4 477 MW for electricity was reached on January 15, 2009.

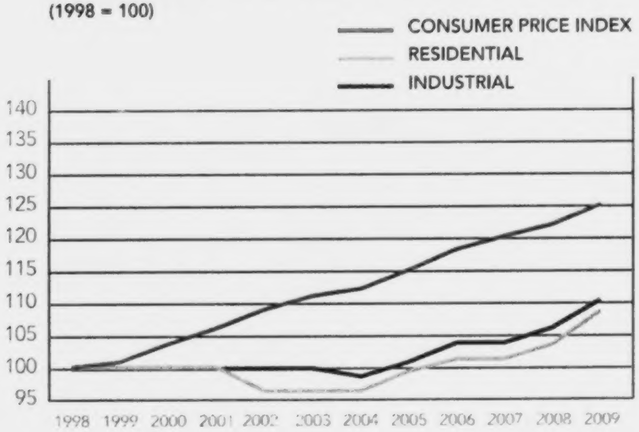
High wire act:* *A powerline technician prepares for routine maintenance on a transmission tower in Winnipeg.



The year's highlights

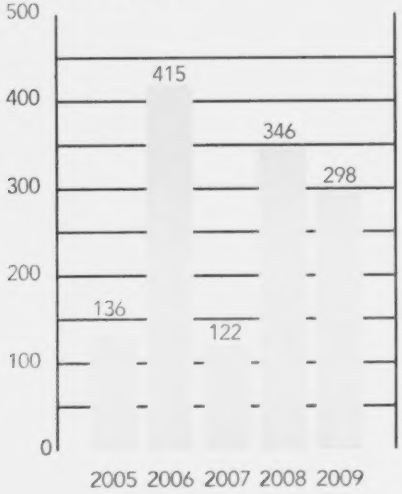
ELECTRICITY RATE CHANGES VS. MANITOBA CONSUMER PRICE INDEX

(1998 = 100)



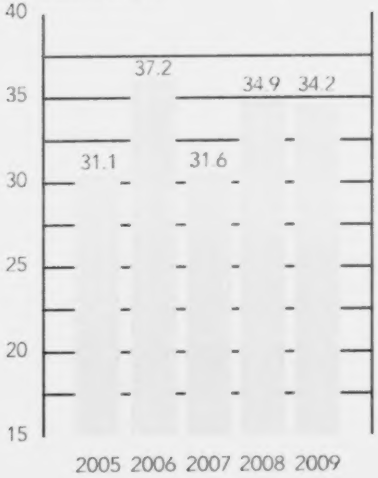
NET INCOME

millions of dollars



TOTAL HYDRAULIC GENERATION

billions of kWh



FINANCIAL RESULTS

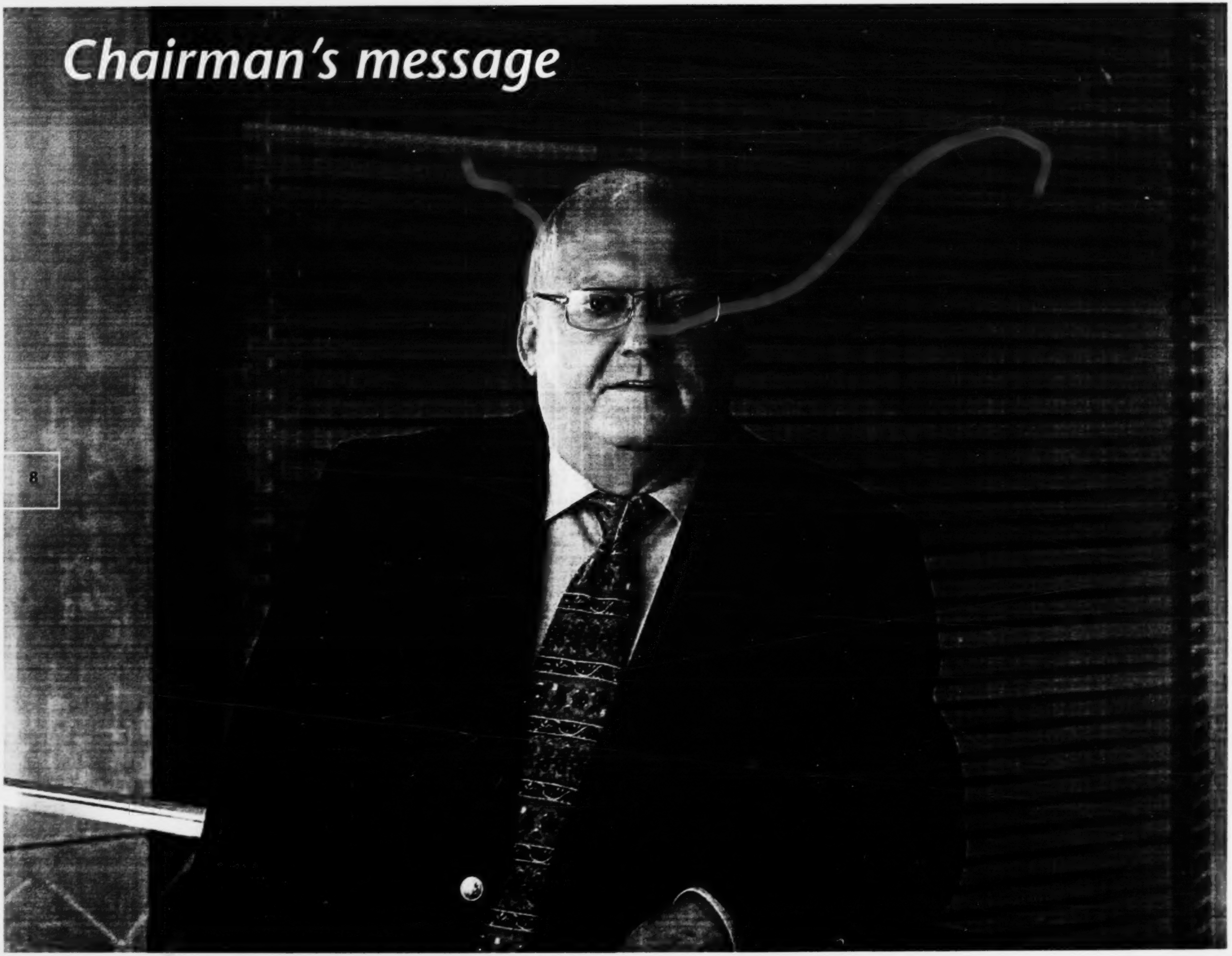
	Electricity		Natural Gas		Total	
Revenue	2009	2008	2009	2008	2009	2008
			millions of dollars			
Manitoba	1 161	1 097	580	528	1 741	1 625
Extraprovincial	623	625	-	-	623	625
	1 784	1 722	580	528	2 364	2 250
Cost of gas sold	-	-	431	386	431	386
Expenses	1 495	1 382	140	136	1 635	1 518
Net income	289	340	9	6	298	346
Retained earnings	2 084	1 795	36	27	2 120	1 822

OPERATING STATISTICS

	2009	2008	Increase/(Decrease)
Electrical Operations			
Sales		*billions of kilowatt-hours*	
Manitoba sales	21.2	21.1	0.3
Extraprovincial sales	9.6	10.6	(1.0)
System supply		*billions of kilowatt-hours*	
Generation	34.5	35.4	(0.9)
Imports	0.7	0.6	0.1
		thousands of kilowatts	
Manitoba peak load	4 477	4 273	204

	2009	2008	Increase/(Decrease)
Natural Gas Deliveries			
Sales		*millions of cubic metres*	
Residential sales	760	746	14
Commercial and industrial sales	802	792	10
	1 562	1 538	24
Transportation service	603	618	(15)
	2 165	2 156	9

Chairman's message



This past year, the Manitoba Hydro-Electric Board was pleased to acknowledge that Manitoba Hydro had accomplished a great deal towards its pursuit of excellence—namely to be the best utility in North America with respect to safety, rates, reliability, customer satisfaction, and environmental leadership.

Among many notable achievements throughout the year was the signing of a Term Sheet with Wisconsin Public Service to provide up to 500 megawatts of clean, renewable hydro power over 15 years—starting in 2018. The long-term sale will require new hydroelectric facilities in northern Manitoba and a major new transmission line between Manitoba and the United States. This agreement will assist the corporation in maintaining its celebrated low energy rates and will help reduce the production of greenhouse gases—benefiting all Manitobans.

The corporation also made progress on the Bipole III high voltage transmission line project, holding the first two rounds of public meetings and open houses last fall. During the year, the corporation started a Site Selection and Environmental Assessment process for the new transmission line in order to identify a proposed route. Community and public consultations took place with elected leaders, municipal officials, Aboriginal communities, landowners, and other interest groups.

In keeping with Manitoba Hydro's goal to be a national leader in implementing cost-effective energy conservation and alternative energy programs, the Board also accepted a request for proposal from St. Joseph Wind Farm Inc.—owned by Babcock and Brown Canada ULC—to develop a 300-MW wind farm. The project, which would be one of the largest in Canada, is subject to regulatory approvals and the completion of a 25-year power purchase agreement between Babcock & Brown and Manitoba Hydro.

The Board was also pleased to learn that Manitoba Hydro and the Province of Manitoba had once again received the Canadian Energy Efficiency Alliance's (CEEA) highest ranking for their commitment to promoting the wise use of energy in the marketplace. The CEEA noted that Manitoba continues to be an example and a role model for other jurisdictions.

On the natural gas side of the utility, Manitoba Hydro introduced a pilot program for fixed rates on primary gas usage—adding to its rate options for customers. Under the new offering, customers had the choice to sign up for a one, three, or five-year fixed rate for primary gas purchases over a given time period. The program was enthusiastically received by customers—who continue to benefit from existing quarterly rate adjustments aimed at lessening the impact of volatile gas prices.

Clearly, Manitoba Hydro remains a vital part of the province's economy and continues to contribute to its economic progress. It is very satisfying to see the ongoing realization of the corporation's goals and the resulting contribution to Manitoba's prosperity.

I would like to thank my fellow board members for their efforts over the past year. I would also like to thank Bob Brennan, President & CEO, and the employees of Manitoba Hydro, for their continued hard work and dedication to the success of this corporation.

Victor H. Schroeder, QC
Chairman
The Manitoba Hydro-Electric Board

President and CEO's message

This past year has been notable and exciting for Manitoba Hydro on many fronts—particularly with respect to the opening of our new corporate headquarters in downtown Winnipeg. The first group of employees moved into Manitoba Hydro Place at the end of December 2008 and by the end of the fiscal year, over half of the building's 2 000 occupants had relocated to the new downtown address.

The building itself is a testament to Manitoba Hydro's continued commitment to the environment. Every aspect of Manitoba Hydro Place is designed to work in harmony with the natural habitat and the people in it. All elements of the building design—from the open floor spaces, high ceilings, and fresh air ventilation system—are calculated to maximize employee comfort and productivity while minimizing energy consumption. Manitoba Hydro Place is destined to be one of the most energy efficient buildings in Canada and is expected to use 65 per cent less energy than a comparable office tower of conventional design.

On the financial front, the corporation's net income this year of $298 million continues to improve Manitoba Hydro's financial strength and enhances our debt to equity ratio and retained earnings. Good water flow conditions and strong extraprovincial sales both played an important role in keeping net income so large.

The corporation also made significant progress this year on the power planning and construction horizon—beginning with the Wuskwatim Generating Station in northern Manitoba. A major milestone was reached at Wuskwatim with the awarding of the General Civil Contract in November 2008 to the O'Connell-Neilson-EBC partnership. A notable feature of the contract is the advancement of the project in-service date from 2012 to 2011.

Activities throughout the year were focused on the excavation of the powerhouse and spillway areas as well as completion of infrastructure contracts. Civil work to date has included the excavation of approximately two million m^3 of overlying soil and bedrock for the principal structures and channels. By year's end, the main construction camp and support facilities, including recreational facilities and a cross-cultural area, were fully operational. The camp provides accommodation for over 600 workers, and includes water and sewage treatment plants, ambulance and fire buildings, and a kitchen and dining complex.

The station is being developed by the Wuskwatim Power Limited Partnership, a legal entity involving Manitoba Hydro and the Nisichawayasihk Cree Nation. This unique and precedent-setting partnership has established a framework for other northern generating station development, including the Keeyask Generating Station.

In June 2008, a milestone was reached in relation to the Keeyask Generating Station with concurrence on the Joint Keeyask Development Agreement (JKDA). Party to the agreement were the Tataskweyak Cree Nation, War Lake First Nation, Fox Lake Cree Nation, and York Factory First Nation. After an intensive period of community consultations, all four communities voted to ratify the JKDA and their respective Adverse Effect Agreements. The agreements address the anticipated effects of the future Keeyask station and establish programs that will promote culture and language, ensure monitoring of environmental effects, increase members' access to and use of the resource area, and provide ongoing jobs for members. A historic ceremony took place in the community of Split Lake in 2009 to celebrate the official signing of the JKDA by the four nations.

Manitoba Hydro also continued to partner with a number of First Nations and Aboriginal organizations throughout the year to provide Aboriginal people with the skills and training necessary to work on a variety of important projects.

As in years past, another way the corporation helps mitigate the impact of future energy demand is through its ever-expanding roster of Power Smart programs. As a testament to its popularity, the Power Smart Residential Loan Program reached a new high—over $185 million in residential loans for energy efficient renovations since inception. Manitoba Hydro also expanded its Power Smart lineup to include specific programs for small businesses, high-efficiency furnace and boiler replacement, and energy production from biomass. Taken together, Manitoba Hydro's Power Smart programs have collectively prevented 1 119 000 tonnes of greenhouse gases from entering the atmosphere—as of March 2009.

The dedication of our employees in all aspects of their jobs—particularly in terms of restoring service—is a well-known characteristic of the utility and one that I'm especially proud of. A quick glance at the service and satisfaction ratings provided by our customers always places Manitoba Hydro's performance in the top ranks.

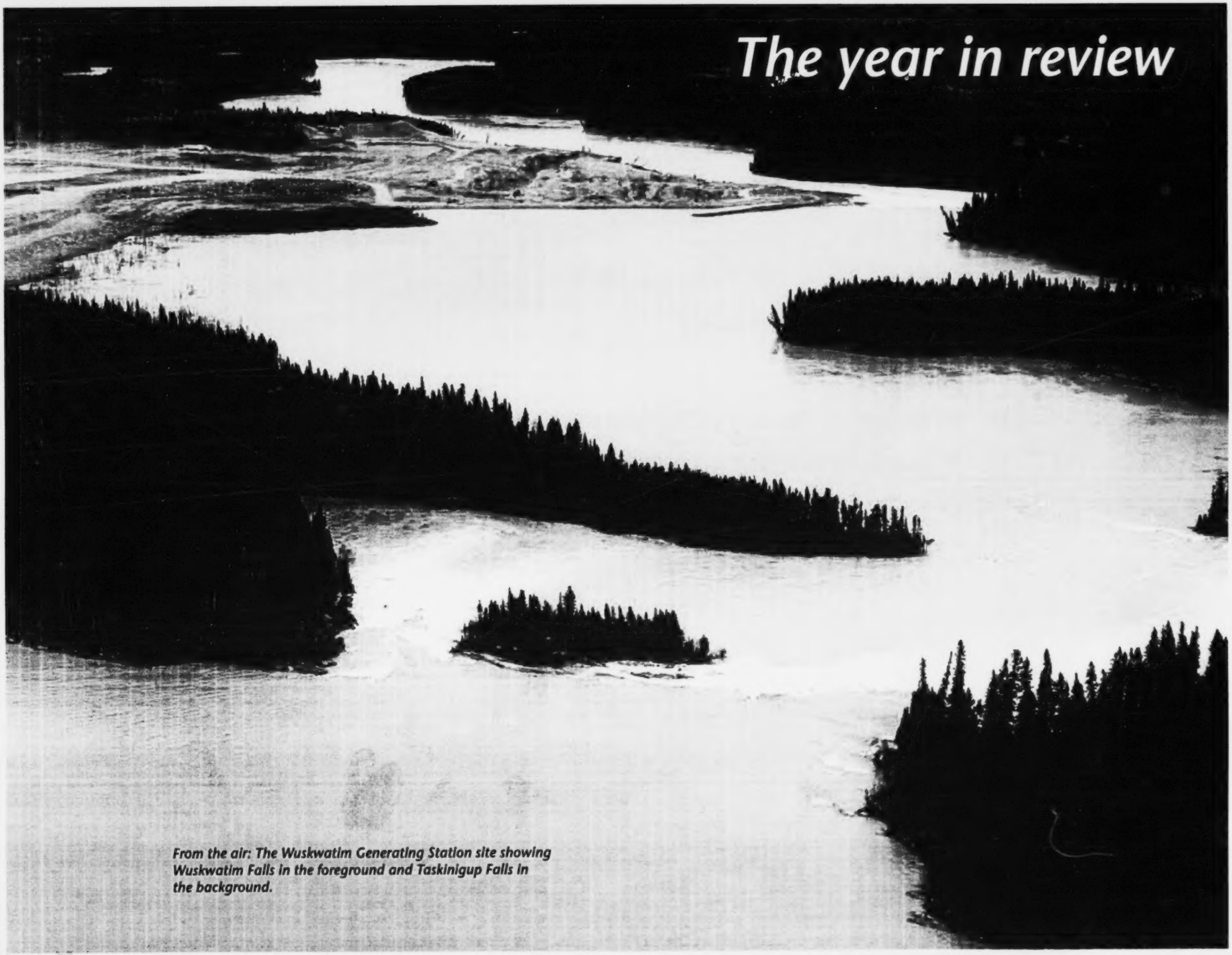
Community service and volunteerism is another well-known attribute of Manitoba Hydro's culture. Our employees believe in supporting their communities and many are devoted to a wide variety of worthwhile causes and events. This is evident in a multitude of ways—including the support provided at such events and programs as the Manitoba Hydro Power Smart Games, the Manito Ahbee Festival, and Hydro's Junior Achievement program.

Looking back on the year, I'm extremely proud of our corporation and all that it stands for. Manitoba Hydro continued to make substantial progress in many areas while providing our customers with energy in a safe, cost-effective, and reliable manner. These accomplishments are due to the hard work of our employees. Their commitment and determination help us meet and exceed our goals and I would like to thank them for this.

I would also like to thank Vic Schroeder, Chairman of the Manitoba Hydro-Electric Board, for his advice and assistance—as well as the other members of the Board. Their contributions are invaluable to me.

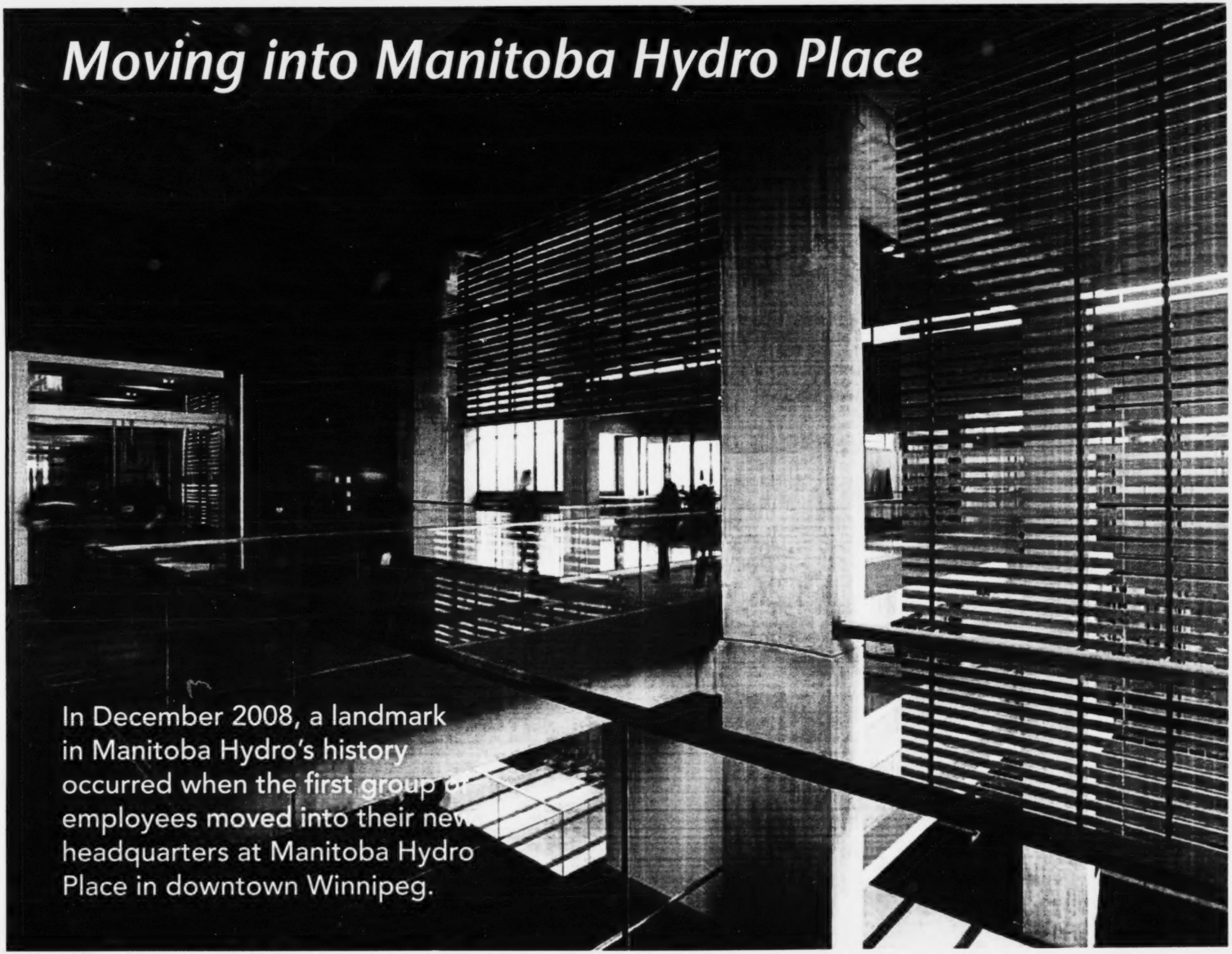
R.B. Brennan, FCA
President and Chief Executive Officer

The year in review



From the air: The Wuskwatim Generating Station site showing Wuskwatim Falls in the foreground and Taskinigup Falls in the background.

Moving into Manitoba Hydro Place



In December 2008, a landmark in Manitoba Hydro's history occurred when the first group of employees moved into their new headquarters at Manitoba Hydro Place in downtown Winnipeg.

ON THE MOVE

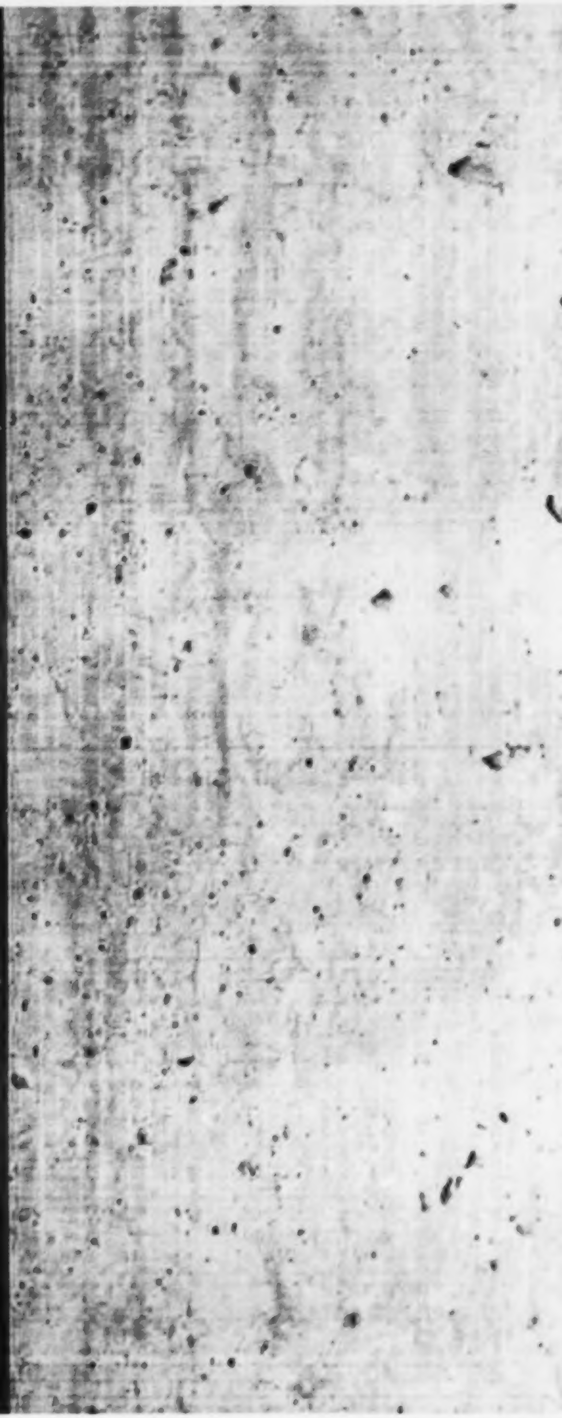
By the end of the fiscal year, over 1 300 employees had relocated to Manitoba Hydro Place, bringing it to well over 50 per cent of its capacity. Full occupancy of the new building is scheduled to take place over the next year.

The relocation of employees from various existing office locations required substantial planning and coordination. Throughout the year, employees were offered the opportunity to tour the construction site to become familiar with the new building and its many innovative features. Prior to the relocation of specific work groups, orientation sessions were held to provide information on a wide variety of topics including building access, security, office technologies, work station ergonomics, and building operating systems.

Planning for the move to Manitoba Hydro Place also included development of green transportation options for employees working in the new head office. The use of public transit has been encouraged through the EcoPass program. And, with the cooperation of Winnipeg Transit, a new park-and-ride bus loop was built at Manitoba Hydro's Taylor Avenue parking lot. For employees who cycle to work, a secure bike storage facility is available in the building's parkade as well as showers and change room facilities.

As construction nears completion, it is clear that Manitoba Hydro Place is a world-class model of energy efficiency and sustainability. The building is a practical and meaningful demonstration of the corporation's commitment to being a leader in energy management. In addition, the building will provide a healthy and dynamic work environment, contributing to greater productivity for employees and improved service to customers.

Manitoba Hydro President Bob Brennan, Corporate Training's Leah Rensfelt, and Premier Gary Doer, celebrate the move to Manitoba Hydro Place in December 2008.



360 DEGREES—THE WHOLE PICTURE

360 Portage Avenue is not only the address for Manitoba Hydro Place—the 360 metaphor was invoked to represent a new way of thinking when it came to the planning, design, and construction of the state-of-the-art building. It meant looking at the whole picture—the full 360 degrees—and perfectly illustrated Manitoba Hydro's desire to develop a new head office that is as energy efficient as possible, helping to conserve the clean, renewable energy so abundant in the province.

Deconstruction of the existing buildings at the site in 2005 was undertaken with a commitment to avoid unnecessary waste. The buildings that were removed to make room for the new corporate office were taken down piece-by-piece, with 95 per cent of the materials salvaged for re-use or recycling. Manitoba Hydro Place makes use of many of these materials, including recycled wood.

The operation of individual building systems—including lighting, ventilation, heating and cooling, and solar shading, are coordinated to ensure that the entire structure operates as a single entity, actively responding to changes in weather, environment, and operational requirements.

GEOTHERMAL SYSTEM

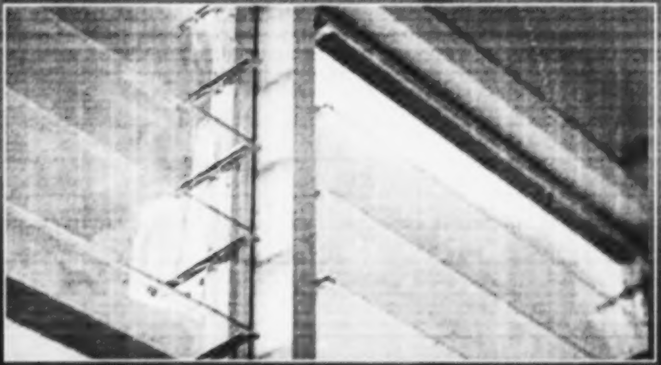
The building boasts the largest geothermal system ever built in Manitoba and uses the constant temperature underground to heat or cool the structure. A total of 280 geothermal wells carry conducting liquid throughout the building's concrete slabs and 122 m into the ground. Heat is drawn away from the building in the summer and stored for use in the winter. It's expected that whatever heat energy is extracted from the ground during the winter months will be replaced during the summer, making the system fully sustainable over the long term.

SUNLIGHT

Taking advantage of Winnipeg's abundant solar energy, the building's striking triangular shape maximizes exposure to the south, while minimizing exposure to cold north winds. The narrow floor plate allows sunlight to penetrate into the heart of the building, providing natural daylight.

PASSIVE VERSUS ACTIVE

To achieve such a high level of energy efficiency while maintaining occupant comfort, Manitoba Hydro Place maximizes the use of passive energy technologies while it minimizes the use of active energy. Passive systems—such as the south-facing winter gardens and the solar chimney—take advantage of natural processes to reduce energy usage. In addition, the building's high floor-to-ceiling spaces make good use of Winnipeg's abundant natural daylight. Active systems—such as energy-efficient T5 fluorescent lighting—are only used as required.



DOUBLE CURTAIN-WALL

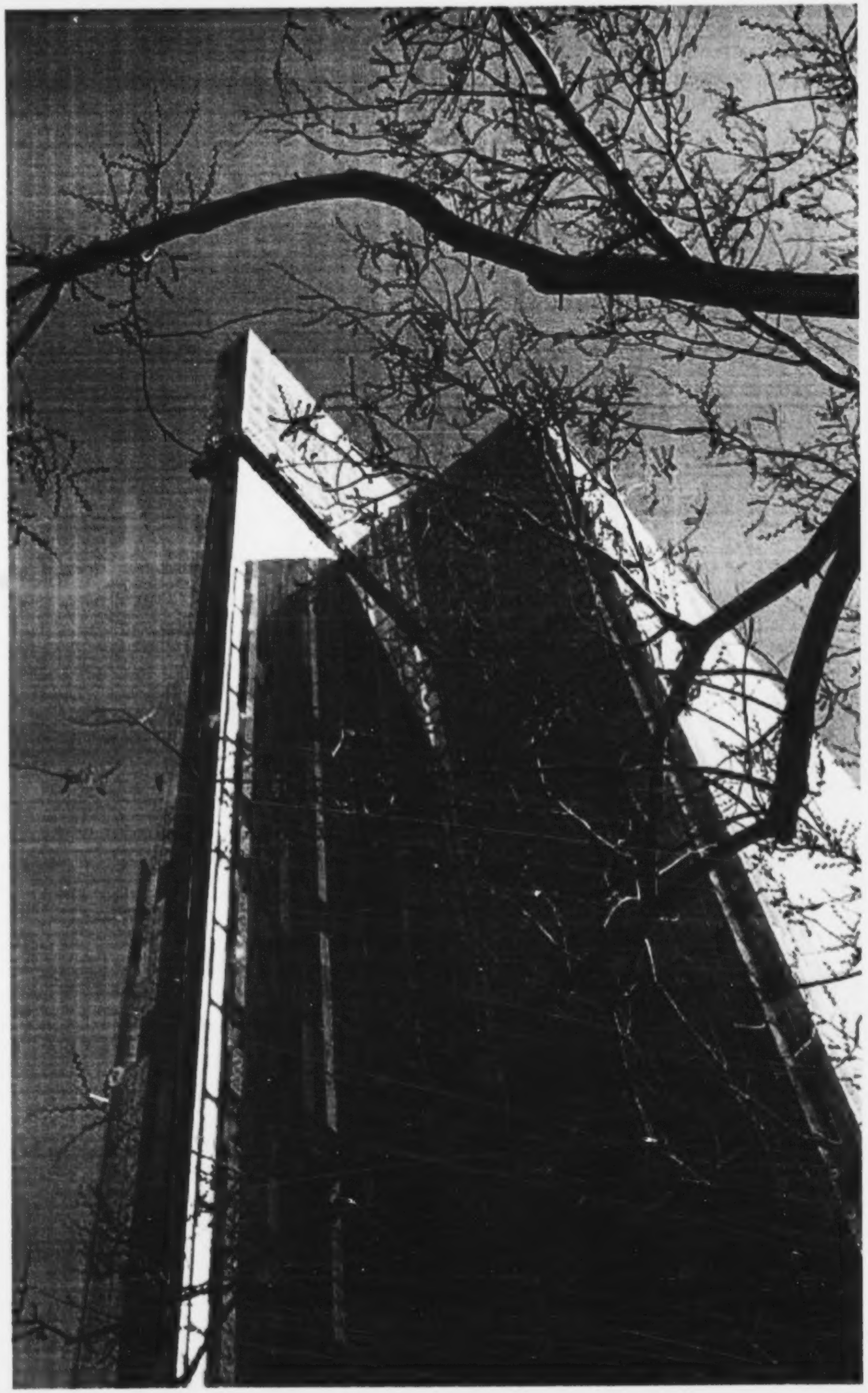
The building's windows on the east and west facades consist of a double curtain-wall that creates energy efficient buffer zones between the building interior and the elements. The system is made of a single-glazed inner wall spaced one meter inside a double-glazed outer wall—helping to insulate the building against heat or cold. The windows use low-iron glass—meaning higher visibility—to maximize the advantages of sunlight.

HEATING, VENTILATING, AND COOLING

To maintain a productive workspace while achieving maximum energy efficiency, the design of Manitoba Hydro Place splits heating, ventilating, and cooling into two distinct functions: heating and cooling provided primarily by the geothermal system; and ventilating, provided by a combination of the solar chimney, winter gardens, and overall building design.

SOLAR CHIMNEY

One of Manitoba Hydro Place's most recognizable and prominent architectural features is the solar chimney at the building's north end. But like many of the elements at 360 Portage, form follows function. The 115-m high column rises above the top of the building and is critical to the passive ventilation system. It relies on the natural "stack effect" of a chimney to create a draw of air out of the building. In winter, exhaust air is drawn to the bottom of the solar chimney by fans. Heat recovered from this exhaust air is used to warm the parkade and to preheat the incoming cold air in the south winter gardens. In summer months, warm air is exhausted directly out the top of the solar chimney.



Form follows function: The unique solar chimney at the north end of Manitoba Hydro Place.

NATURAL VENTILATION

Fresh air is drawn into one of three six-storey or the single two-storey atria (winter gardens) on the south side of the building. Water features in each winter garden provide humidification and dehumidification of the fresh air, while waste heat recovered from the exhaust air and natural solar energy warm the fresh air. Two smaller water features in the main floor gallery regulate humidity and feature water cascading down a granite surface—also providing a pleasing and decorative element.

The south winter gardens act as the building's lungs, providing pre-conditioned fresh air via the raised floor system. The air enters workspaces through vents in the raised floors, which supplies the office space with 100 per cent fresh air, 24 hours a day, seven days a week, unlike a conventional building where air is recirculated.

Once used in the workspaces, the air rises to the ceiling and flows to the north end of the building, where it is exhausted passively by the solar chimney. Natural ventilation minimizes the need for a forced air mechanical circulation system. In the intermediate seasons (spring and fall), the mechanical ventilation systems will be turned off and the building will be ventilated by opening windows.

LEADERSHIP IN ENERGY AND ENVIRONMENTAL DESIGN™

The corporation is seeking the gold level of Leadership in Energy and Environmental Design (LEED™) certification. The LEED™ system is the North American standard for assessing green building design and considers all aspects of a structure's design—sustainability, construction, and energy efficiency as part of the rating process.

WORKING ENVIRONMENT

The design of Manitoba Hydro Place is proof that an extremely energy efficient and sustainable building can also be one that provides a pleasing and comfortable work environment for its occupants. State-of-the-art workstations and meeting spaces ensure that employees can work effectively—both individually and collaboratively.

Broad stairwells linking floors together in the winter gardens provide a degree of vertical connectivity, providing "neighbourhoods" of work that contribute to productivity. And the natural synergies of bringing people together from several locations into one reduces travel time for meetings and helps to lower greenhouse gas emissions.

Employees working at 360 Portage Avenue will enjoy one of the most healthy and vibrant workspaces in the world, while their presence also contributes to a renewed energy in downtown Winnipeg.

Connecting to customers

Manitoba Hydro's reputation for customer service is among the strongest of any Canadian utility and one of the corporation's proudest accomplishments. Predictably, some severe winter ice storms disrupted customer service in southern Manitoba and the Interlake region this year but restoration efforts were characteristically fast and thorough in spite of difficult working conditions.

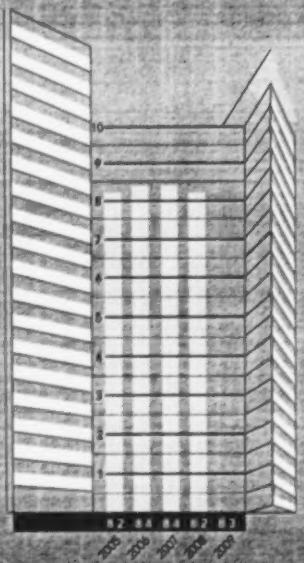
MORDEN CUSTOMER SERVICE CENTRE

A new Customer Service Centre in Morden—currently under construction—has been designed to enhance operations in Manitoba's Morden and Winkler region. The new, larger centre will create synergies and improve efficiencies—replacing the two smaller offices in Morden and Winkler. The centre is scheduled for completion in summer 2009.

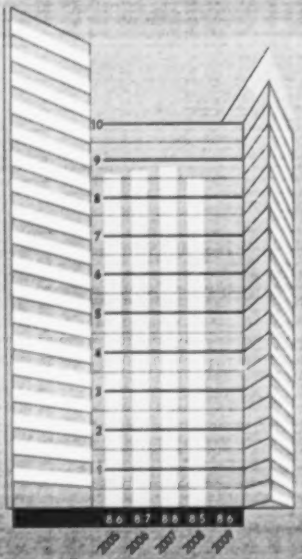
FIXED RATES OPTION FOR NATURAL GAS CUSTOMERS

Adding to its rate options for natural gas customers, Manitoba Hydro introduced a pilot program for fixed rates on primary gas usage. Under the new offering, customers had the option to sign up for a one, three, or five-year fixed rate for primary gas purchases from February 19 to March 12, 2009. Customer response was very positive for the initial offering.

The corporation helps lessen the impact of volatile gas prices through the use of financial instruments, deferral accounts, gas storage, and through the quarterly adjustment of primary gas rates. In the fiscal year, the following adjustments were implemented: May 2008 (7.4 per cent increase); August 2008 (5.8 per cent increase); November 2008 (5.4 per cent decrease); February 2009 (4.5 per cent decrease). All percentages are based on an average annual increase or decrease for residential natural gas customers.



Customer Satisfaction with Overall Service
(Source: MH quarterly Customer Satisfaction Tracking Study)



Customer Satisfaction with System Reliability (electricity)
(Source: MH quarterly Customer Satisfaction Tracking Study)

ELECTRICITY RATE INCREASE

Manitoba Hydro introduced a five per cent electricity rate increase for all customers, except in the Area & Roadway Lighting category, on July 1, 2008. In spite of the increase, the utility continues to offer electricity rates which are among the lowest in North America.

IMPROVING CUSTOMER SERVICE EFFICIENCIES

A significant improvement in customer service efficiency was broadened this year through an existing system that optimizes the workflow of service requests and maintenance procedures. Called Mobile Workforce Management, the process makes better use of available resources by wirelessly transmitting work orders to staff already in the field through vehicle laptops—taking into account driving time, crew skills, crew proximity, and job duration. The system has greatly enhanced response times and operational efficiencies and is expected to become standard procedure for managing service requests. Initially used for natural gas operations in Winnipeg, the system is now being expanded to electric and natural gas operations throughout Manitoba.

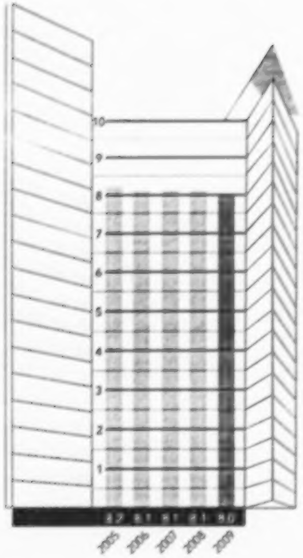
Mobile Workforce Management makes better use of customer service resources by wirelessly transmitting work order information to staff already in the field.

PREPARING FOR THE UNEXPECTED

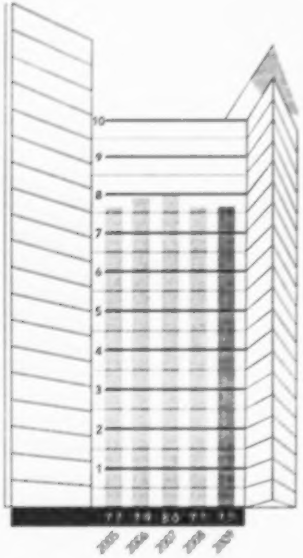
In addition to ongoing emergency preparedness testing that took place throughout the year, a large-scale mock emergency was held to evaluate preparedness at all levels within the organization. This year's exercise tested the utility's response to a hypothetical dam breach. Manitoba Hydro's senior officers, divisional experts, and external stakeholders such as the province's Emergency Measures Organization, Winnipeg Regional Health Authority, and the City of Winnipeg were also involved.

SUBSIDIARY: MANITOBA HYDRO UTILITY SERVICES

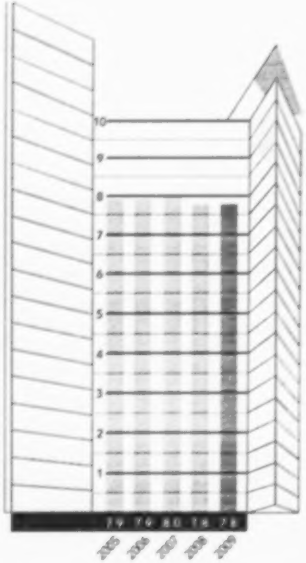
Manitoba Hydro Utility Services (MHUS) provides integrated meter reading services for electric and natural gas customers as well as temporary labour to assist the corporation in meeting short-term operational requirements. MHUS expanded its meter reading services during the year, adding the First Nation communities of God's River, God's Lake Narrows, and Oxford House. The function achieves savings and synergies by reading customers' electricity and natural gas meters simultaneously. Over the year MHUS staff provided over four million meter readings.



Corporate Image Index
(Source: MH quarterly Customer Satisfaction Tracking Study)

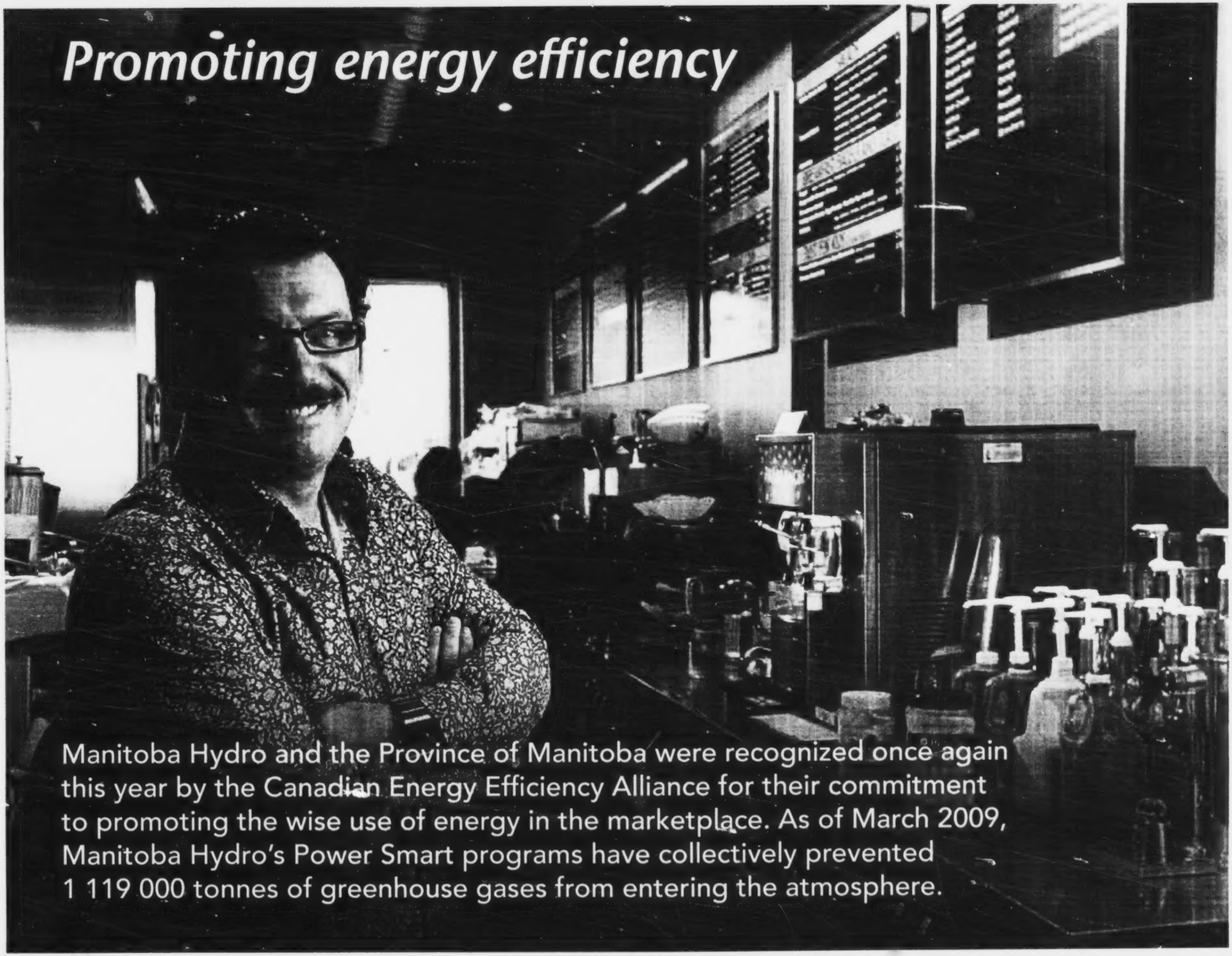


Corporate Citizenship Index
(Source: MH quarterly Customer Satisfaction Tracking Study)



Corporate Citizenship (environmental component)
(Source: MH quarterly Customer Satisfaction Tracking Study)

Promoting energy efficiency



Manitoba Hydro and the Province of Manitoba were recognized once again this year by the Canadian Energy Efficiency Alliance for their commitment to promoting the wise use of energy in the marketplace. As of March 2009, Manitoba Hydro's Power Smart programs have collectively prevented 1 119 000 tonnes of greenhouse gases from entering the atmosphere.

RESIDENTIAL LOAN PROGRAM REACHES $185 MILLION

By March 2009, the popular Power Smart Residential Loan Program reached a new high—over $185 million in Power Smart residential loans for energy efficient renovations since inception. The loans are available to customers who are renovating their homes for improved energy efficiency. Homeowners can borrow up to $7 500 per residence and can use the loan in conjunction with other Power Smart programs. At the end of March 2009, the interest rate for the loan was also reduced to 4.9 per cent (from the previous 6.5 per cent). The loans can also be conveniently re-paid on customer's monthly bills.

There have been more than 41 000 loans arranged through the program since it started in 2001. The average loan is now approximately $3 700, a number that has increased over the years as homeowners increase the extent of their energy efficiency projects.

NEW FURNACE AND BOILER REPLACEMENT REBATE

Manitoba Hydro launched its revised Residential High Efficiency Natural Gas Furnace and Boiler Replacement Rebate Program in April 2008. Between July 30 and October 13, 2008, the program offered a limited time increased rebate of $500 to encourage homeowners to replace their old inefficient natural gas heating equipment. Customers participating in the federal ecoENERGY® Retrofit Program were eligible to receive an additional $500 from the federal government. Over 3 700 customers took advantage of the increased rebate.

With a twist: Rob Soloway, the owner of Twist Café in downtown Winnipeg, was one of many business owners who took advantage of the energy-efficient options available through Manitoba Hydro's Power Smart Shops program this year.

POWER SMART RESIDENTIAL SOLAR WATER HEATING

In November 2008 the corporation launched its first Power Smart program promoting an alternative energy source. Offered in partnership with Natural Resources Canada, customers under the Residential Solar Water Heating Program were eligible for a $1 200 federal grant when they installed a solar hot water system. As part of its commitment to the local industry, Manitoba Hydro worked with the Canadian Solar Industries Association to host the first Solar Domestic Hot Water Installer Workshop.

AFFORDABLE ENERGY UNIT

Launched in September 2008, the Affordable Energy Unit is designed to help reduce the burden of energy costs for lower income Manitobans. By providing training, education, and energy efficiency upgrades, the corporation worked together with local community and social support organizations to encourage participation throughout Manitoba. Through partnerships in Winnipeg, Brandon, and Island Lake, Manitoba Hydro has worked directly with individuals—providing training, installation assistance, and help with preparing participants for careers in the construction industry. In addition, the program offers customers converting from a standard gas furnace to a qualifying high-efficiency gas furnace a re-payment schedule of only $19 a month for five years.

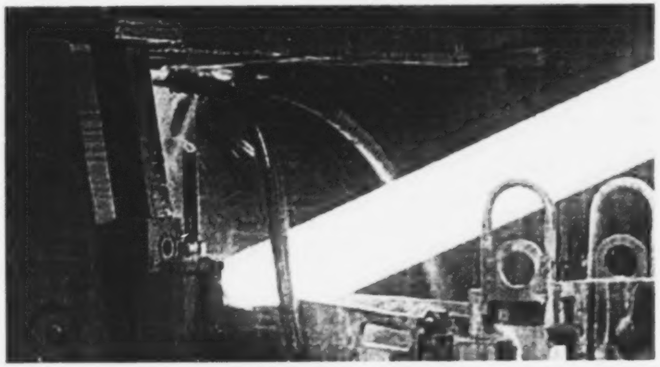
SMALL CHANGES ADD UP

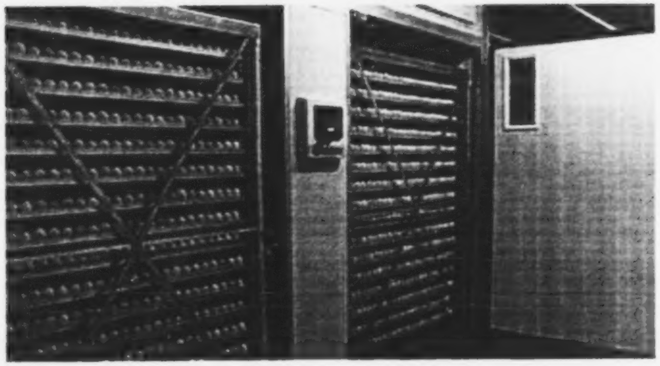
The successful "Small Changes Add Up" marketing campaign continued again this year, reinforcing the message to homeowners that they can personally benefit from being Power Smart. Several energy efficient technologies, including lighting, insulation, small appliances, furnace filters, and programmable thermostats demonstrate some of the many small changes homeowners can make to save energy and lower their energy bill.

"IT'S BIGGER THAN YOU THINK" TV SPOTS

Manitoba Hydro collaborated with Global Television in 2008 to produce "It's Bigger Than You Think", a series of 60-second profiles featuring a range of Manitoba commercial and industrial companies using energy efficient technologies and practices. The profiled companies demonstrate energy management and conservation strategies that have achieved proven energy and non-energy benefits in their operations.

Some of the buildings and businesses featured were the Niverville Heritage Centre, the Manitoba Public Insurance office in Winkler, Gerdau Ameristeel in Selkirk, and Manitoba Hydro Place in downtown Winnipeg. Complementing the series, both Global Television and Manitoba Hydro websites featured the series while they were being broadcast on television.





Images from the "It's Bigger Than You Think" Global TV spots, featuring (top to bottom): Gerdau Ameristeel; the Russell Inn; Granny's Poultry.

POWER SMART FOR BUSINESS

To help commercial customers save energy and money, Power Smart for Business added five new programs to its roster:

- The Commercial Kitchen Appliance Program offers incentives for the installation of ENERGY STAR® commercial natural gas and electric steam cookers and natural gas fryers. The program is aimed at food service facilities—some of Manitoba's most energy intensive establishments in the entire commercial sector on a per-square-meter basis.

- The Commercial Clothes Washer Program offers incentives for the installation of ENERGY STAR® qualified front-loading commercial clothes washers. This program is aimed at multi-residential units with common laundry areas, such as apartments, laundromats, military barracks, and student housing.

- The Commercial Network Energy Management program is aimed at commercial customers such as offices, call centres, and schools, who use personal computers in a network setting. The program provides incentives for implementation of computer hibernation software.

- The Power Smart Shops Program is designed to promote energy efficiency to small independent commercial customers. The program encourages business customers to fully convert their buildings to a Power Smart Shop efficiency level by providing incentives, expertise, competitive pricing, and through the installation of energy efficient products.

- The Commercial HVAC Program provides incentives to businesses for installing carbon dioxide (CO_2) sensors that help control ventilation within existing buildings. The sensors take frequent CO_2 measurements and adjust building ventilation accordingly, eliminating the need to heat or cool unnecessarily.

THE ENERGY EXPERT

Manitoba Hydro's Energy Expert column in the Sunday Homes section of the Winnipeg Free Press encourages customers to contact the utility for answers to their energy questions. Aimed at the residential sector, the column addresses energy savings issues on a topic-by-topic basis and directs consumers to specific programs for more information.

POWER SMART NEWSLETTER

The theme for the spring 2008 issue of the Power Smart newsletter was called "Make green the colour of your home improvements" and featured a workbook intended to get homeowners engaged in environmentally beneficial home improvements. Designed to fit any budget, energy efficient suggestions on water, heating, cooling, lighting, insulation, appliances, and windows and doors were just some of the projects outlined in the workbook.

BIOENERGY OPTIMIZATION PROGRAM

In August 2008, Manitoba Hydro introduced the Bioenergy Optimization Program to encourage the use of sustainable biomass as a fuel for the production of combined heat and power at customer sites. The program is aimed at over 250 agricultural and industrial customers with access to readily available, low-cost sources of biomass, continual needs for heat and power, and the capability to operate biomass to energy conversion systems.

Use of biomass sources such as waste wood, crop residues, and livestock manure to produce energy will save money, avoid traditional waste disposal options such as landfills, land spreading and uncontrolled burning, and reduce greenhouse gas emissions both locally and in the region.

HUDSON BAY MINING AND SMELTING

Based on the results of pump audits by Manitoba Hydro, Hudson Bay Mining and Smelting replaced four large water pumps in its powerhouse with smaller units. The old pumps were designed to handle flows that had dwindled by as much as 70 per cent with changes in the operation over the last four decades. By acting on the utility's recommendations, the company is now saving more than $100 000 in annual operating costs and reducing greenhouse gas emissions by an estimated 2 500 tonnes.

SMART IDEAS TV SPOTS

A third season of 60-second information spots was broadcast this year on the CTV-TV network. Called "Smart Ideas", Manitoba Hydro hosts Jeff Beckman and Linda Carter provided useful tips on Power Smart savings and a range of safety topics.

NEW FLYER INDUSTRIES

New Flyer Industries, the leading manufacturer of heavy-duty transit buses in the United States and Canada, also acted on Power Smart recommendations to upgrade its compressed air systems—critical to the operation of its bus assembly line. The upgrade consolidated three separate systems into one, solving plant downtime problems, cutting maintenance costs and annual electricity charges by nearly 50 per cent.

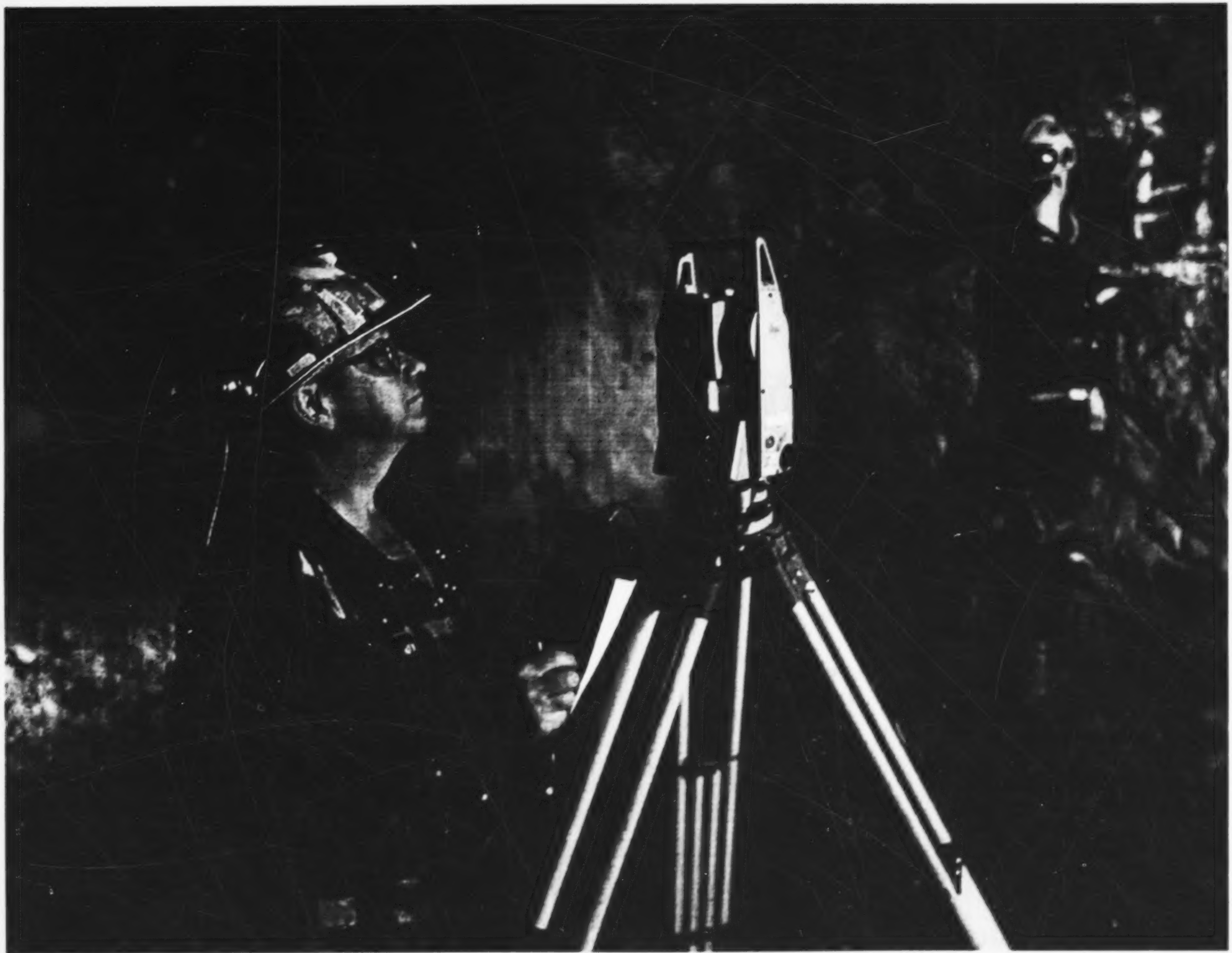
GRANNY'S POULTRY

Granny's Poultry, one of Canada's largest chicken and turkey processors, opened a new energy efficient head office and hatchery in east Winnipeg in 2008. With assistance from a variety of Power Smart programs, Granny's new facility applied technologies such as geothermal heating and cooling, parking lot controller car plugs, energy-efficient T-5 lighting, and the use of natural light throughout office areas.

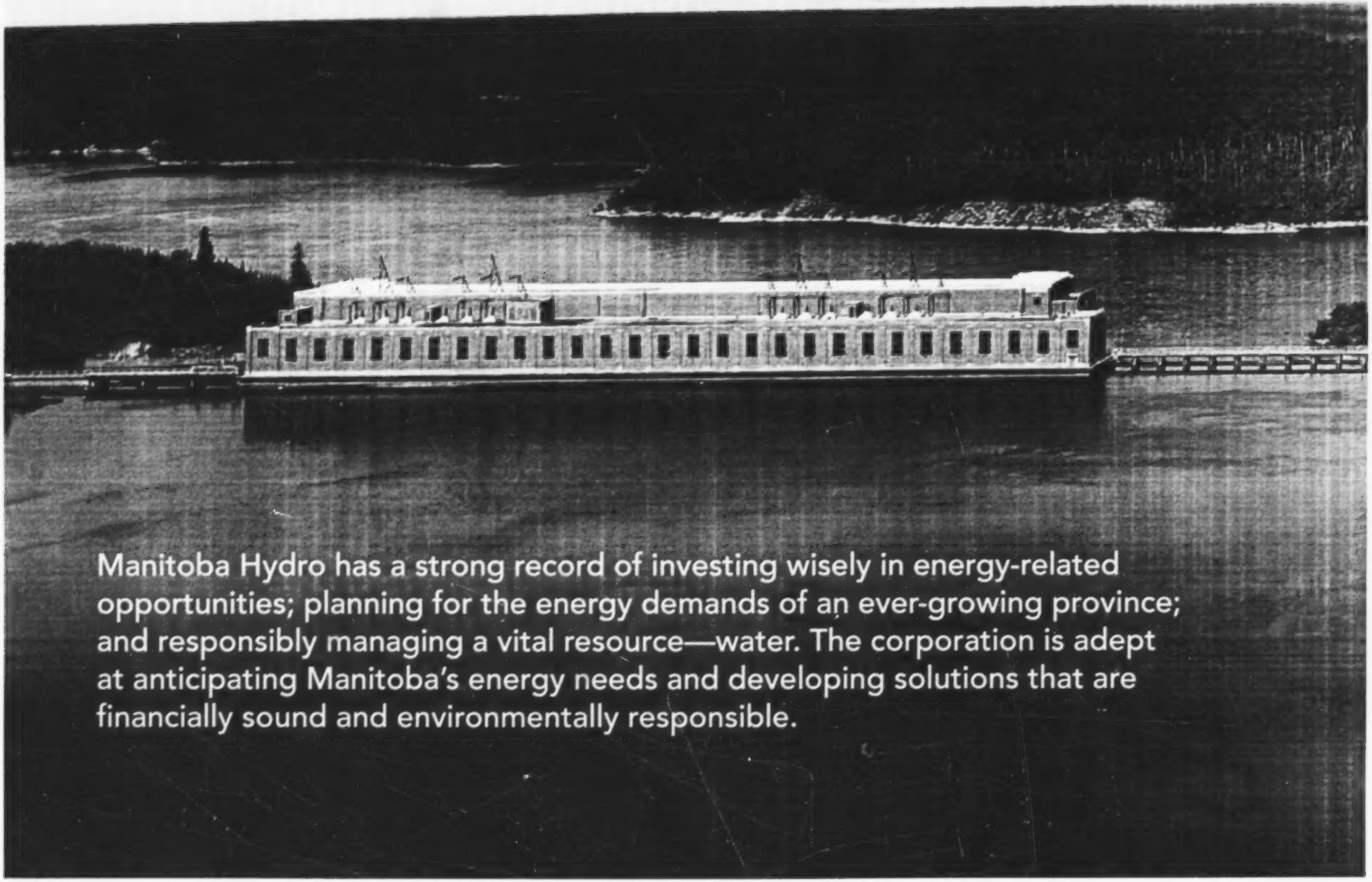
RUSSELL INN

The installation of energy efficient heat pumps has resulted in both increased comfort and savings at the 70-room Russell Inn. The six heat pumps warm or cool water in a massive thermal storage system. Heat recovery through super heaters on the heat pumps has lowered annual domestic hot water charges by $30 000. The heat pumps are so energy efficient that the cost of operating the pools and water slide is now a third of conventional system costs.

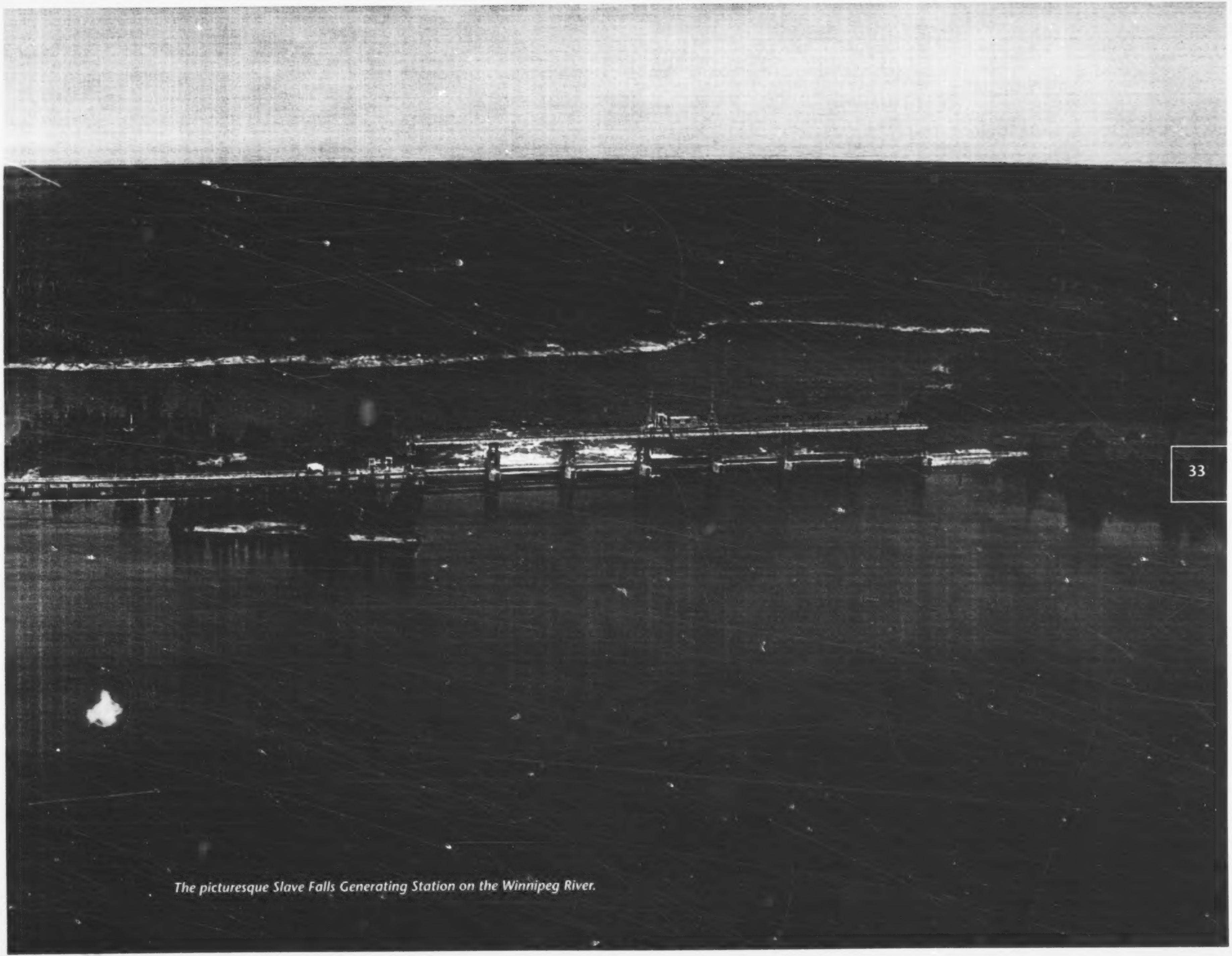
By acting on Manitoba Hydro's recommendations, Hudson Bay Mining and Smelting is saving substantial operating costs and reducing greenhouse gas emissions.
Photo by: Brian Pieters



Planning for power



Manitoba Hydro has a strong record of investing wisely in energy-related opportunities; planning for the energy demands of an ever-growing province; and responsibly managing a vital resource—water. The corporation is adept at anticipating Manitoba's energy needs and developing solutions that are financially sound and environmentally responsible.



The picturesque Slave Falls Generating Station on the Winnipeg River.

THE WUSKWATIM PROJECT

Considerable progress was made this year on the 200 MW Wuskwatim Generating Station, the first new hydroelectric facility to be built in the province since Limestone in the early 1990s. Located 45 km southwest of Thompson on the Burntwood River, the station is being developed by the Wuskwatim Power Limited Partnership, a legal entity owned by Manitoba Hydro and the Nisichawayasihk Cree Nation.

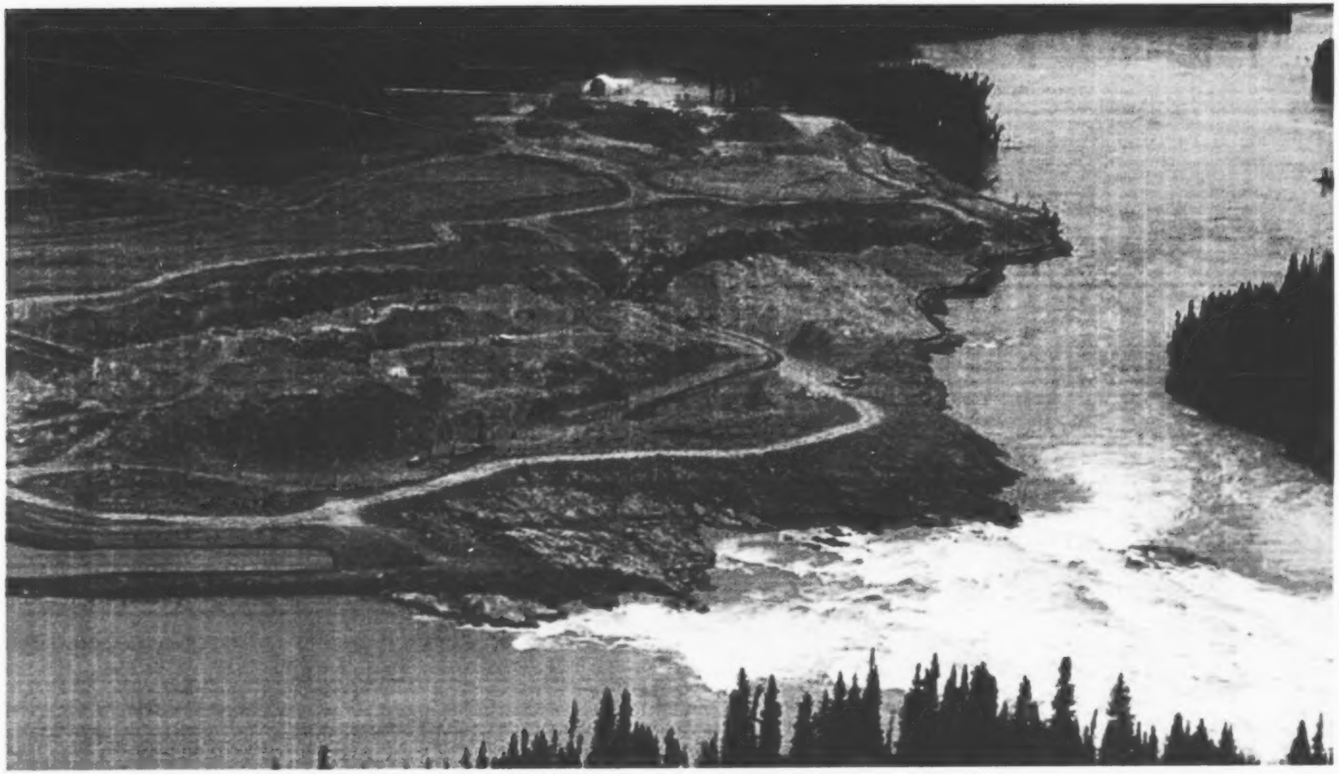
A major project milestone was reached with the awarding of the General Civil Contract to the O'Connell-Neilson-EBC Partnership in November 2008. The partnership was on site at Wuskwatim and mobilized before the end of the calendar year. A notable feature of the contract is the advancement of the project in-service date from 2012 to 2011.

Activities this year were focused on the excavation of the powerhouse and spillway areas and completion of infrastructure contracts. Civil work to date has included the excavation of approximately two million m³ of overlying soil and bedrock for the principal structures and channels. Coarse and fine aggregate for concrete production has also been manufactured and stockpiled for use in the upcoming months. By year's end, the main construction camp and support facilities, including recreational facilities and a cross-cultural area, were fully operational. The camp provides accommodation for over 600 workers, and includes water and sewage treatment plants, ambulance and fire buildings, and a kitchen and dining complex.

Environmental, social and economic monitoring continued at Wuskwatim and is being conducted in accordance with the terms and conditions of regulatory approvals issued by provincial and federal regulatory agencies. A wide range of monitoring was conducted on the Burntwood River in the open water season of 2008 and the winter of 2009 to determine the impact of cofferdam construction, which occurred in both the winter and summer of 2008. Sediment levels were monitored and measures were taken to ensure that water quality was not affected during in-stream cofferdam construction.

Since the start of construction, approximately 65 per cent of Wuskwatim's workers have been Aboriginal people. Over the past year, project employment peaked at over 400 workers. Several cross-cultural workshops and traditional ceremonies took place throughout the year to express respect for the environment and local culture related to the Wuskwatim project.

A variety of activities took place at the Wuskwatim Generating Station site this year, including (clockwise from top) the excavation of the station's powerhouse and spillway areas; heritage resource investigations; and the manufacturing and stockpiling of crushed rock (aggregate) for concrete and other applications.



KEEYASK GENERATING STATION

The proposed site for the potential Keeyask Generating Station is located on the Nelson River, approximately 60 km downstream from Split Lake and 175 km northeast of Thompson. Keeyask would have a nominal capacity of 695 MW. Under the current schedule, the station's earliest in-service date is 2017.

In June 2008, a milestone was reached with concurrence on the Joint Keeyask Development Agreement (JKDA). Party to the agreement were the Tataskweyak Cree Nation, War Lake First Nation, Fox Lake Cree Nation, and York Factory First Nation. After an intensive period of community consultations, all four communities voted to ratify the JKDA and their respective Adverse Effect Agreements.

A historic ceremony took place in the community of Split Lake in 2009 to mark the official signing of the JKDA and outlined the partnership arrangements for First Nations' participation. Manitoba Hydro will provide administrative and management services for Keeyask and will own at least 75 per cent of the equity of the partnership. The Keeyask Cree Nations collectively have the right to own up to 25 per cent of the partnership.

500-MW POWER SALE WITH WISCONSIN PUBLIC SERVICE

In April 2008 Manitoba Hydro signed a formal term sheet with Wisconsin Public Service (WPS) to provide up to 500 MW of clean, renewable hydro power over 15 years, starting in 2018. The long-term sale will require new hydroelectric facilities in northern Manitoba and a major new transmission line between Manitoba and the United States. Manitoba Hydro has an existing two-year contract for the sale of 100 MW with WPS that began in June 2007.

CONAWAPA GENERATING STATION

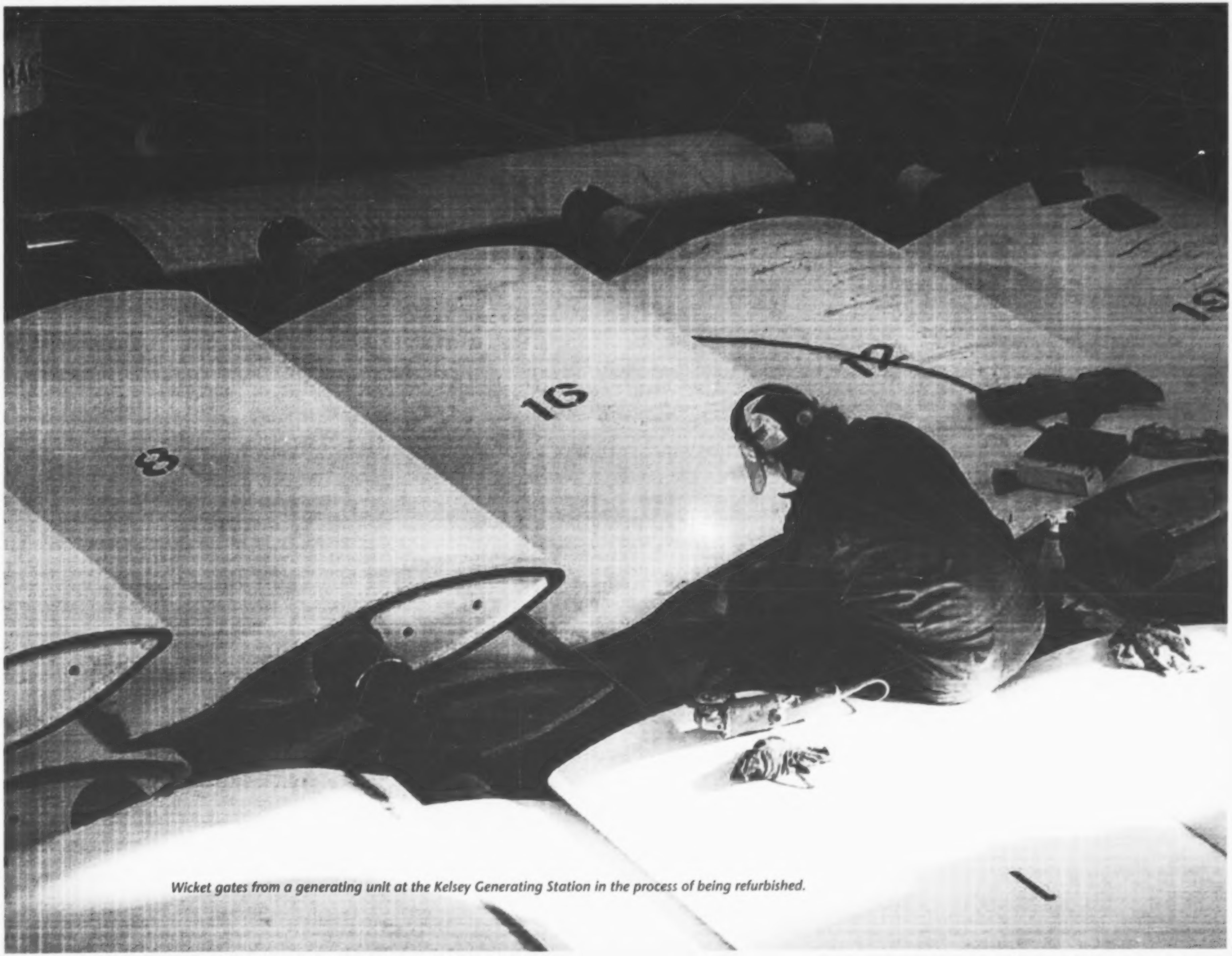
The proposed site for the potential Conawapa Generating Station is on the Nelson River, approximately 775 km north of Winnipeg and 90 km northeast of Gillam. Situated approximately 30 km downstream from the existing Limestone Generating Station, Conawapa would have the capability of producing approximately 1 485 MW of electricity—the largest station to be built in the province. Adding Conawapa would bring hydroelectric generating capability of the Lower Nelson River alone to over 5 000 MW.

Environmental field studies and monitoring were ongoing at the Conawapa site during the summer of 2008. While no final design, development, or construction decisions have been made regarding the future station, public, engineering, and environmental consultation activities are underway. The station's earliest in-service date would be 2022 under the current schedule.

A formal planning process is underway with the communities in the vicinity of Conawapa, including Fox Lake Cree Nation, York Factory First Nation, Tataskweyak Cree Nation, War Lake First Nation, and Shamattawa First Nation. Planning and consultation involve discussions relating to training, project description, environmental and regulatory matters, employment and business opportunities, the negotiation of adverse effects arrangements, and potential income opportunities.

KELSEY RE-RUNNERING CONTINUES

The Kelsey Generating Station Re-runnering Project continued this year with the refurbishment of the station's third generating unit. The project—which will eventually include all seven of the station's units—will increase the station's output by approximately 40 per cent. Re-runnering involves the installation of more efficient turbine runners, replacing steel liners, rewinding rotor and stator assemblies, and upgrading associated mechanical and electrical systems.



Wicket gates from a generating unit at the Kelsey Generating Station in the process of being refurbished.

REBUILDING POINTE DU BOIS

Pointe du Bois is Manitoba Hydro's oldest generating station, first producing power in 1911. The facilities at the station require major repair or replacement to maintain public and dam safety standards, provide a safer working environment for staff, and ensure reliable power production.

In evaluating its options, Manitoba Hydro is integrating social, economic, and environmental considerations as part of the project planning process. Surveys, key person interviews, preliminary meetings, and public open houses have been held with the public, Aboriginal communities, and government regulators. Environmental studies, such as sturgeon and other biological studies continue. The corporation expects to decide on the program it will pursue in mid-2009 and to submit an environmental impact statement to provincial and federal regulators for approval in the winter of 2009-10.

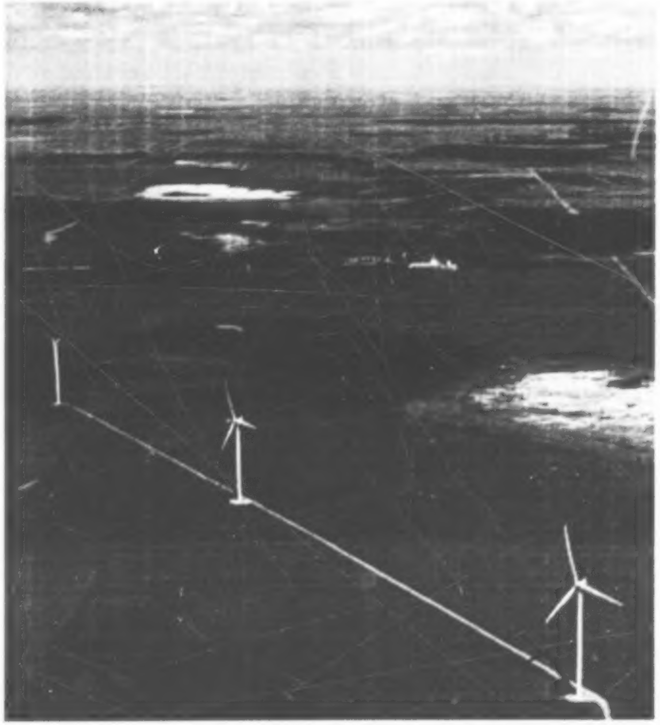
FROM TRAMWAY TO ROADWAY

The Slave Falls Generating Station, located on the Winnipeg River in Manitoba's Whiteshell Provincial Park, is only accessible by way of a tramway rail line originating at the Pointe du Bois Generating Station. Constructed in 1928, the tramway is used to transport staff and equipment to and from the Slave Falls plant.

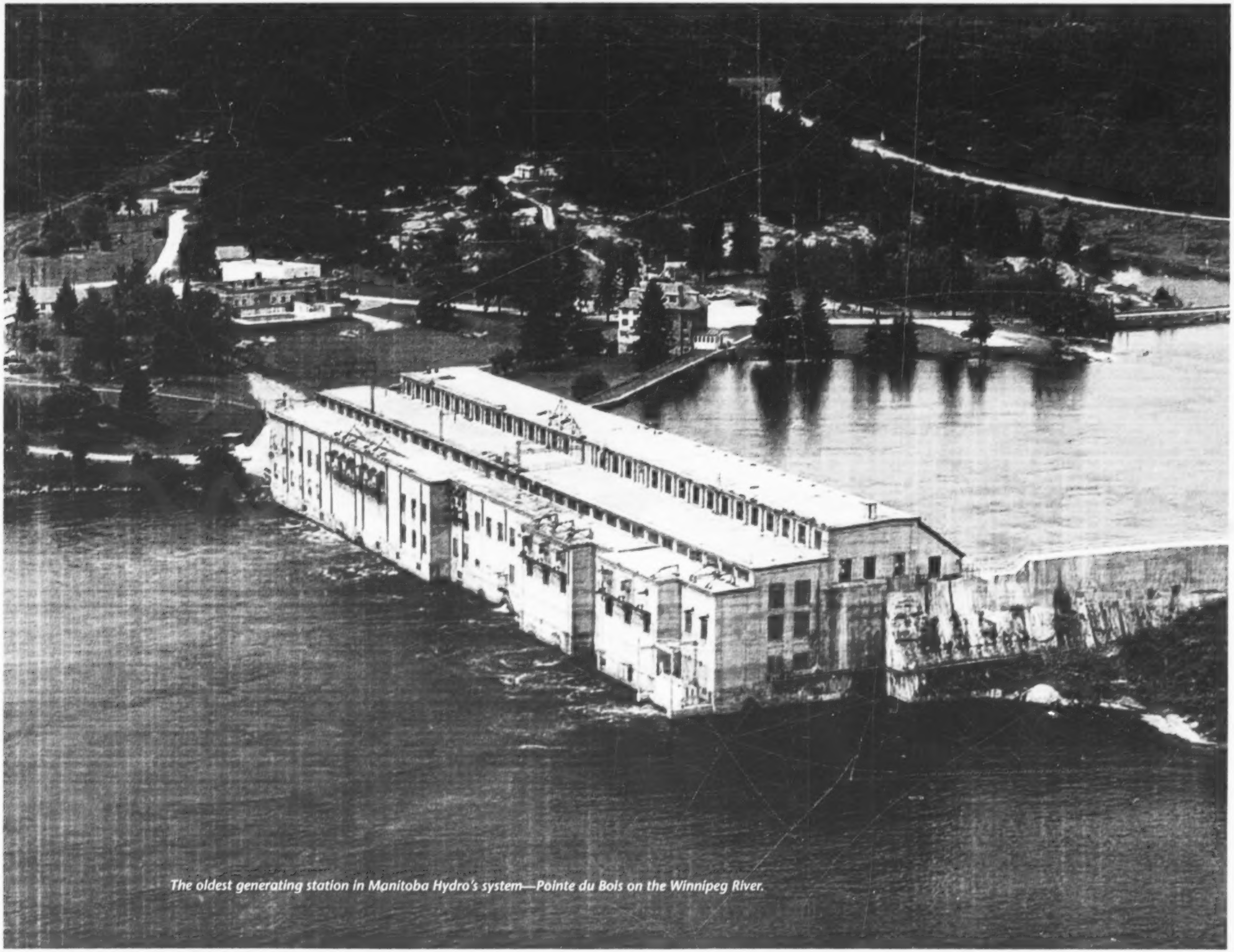
In order to improve access to the station, the corporation has started to convert the tramway into an all-weather access road. Manitoba Hydro negotiated a contract last year with the Sagkeeng First Nation for the road clearing work, which started in November 2008 and was completed by March 2009. Work on the all-weather road is expected to commence in the summer of 2009 and be finished by the fall of 2010.

CANADA'S LARGEST WIND FARM SLATED FOR DEVELOPMENT IN SOUTHERN MANITOBA

In April 2008 Manitoba Hydro entered into negotiations with Babcock & Brown Canada ULC to develop a 300-MW wind farm at St. Joseph, Manitoba. The project, which would be one of the largest in Canada, is subject to regulatory approvals and the completion of a 25-year power purchase agreement between Babcock & Brown and Manitoba Hydro.

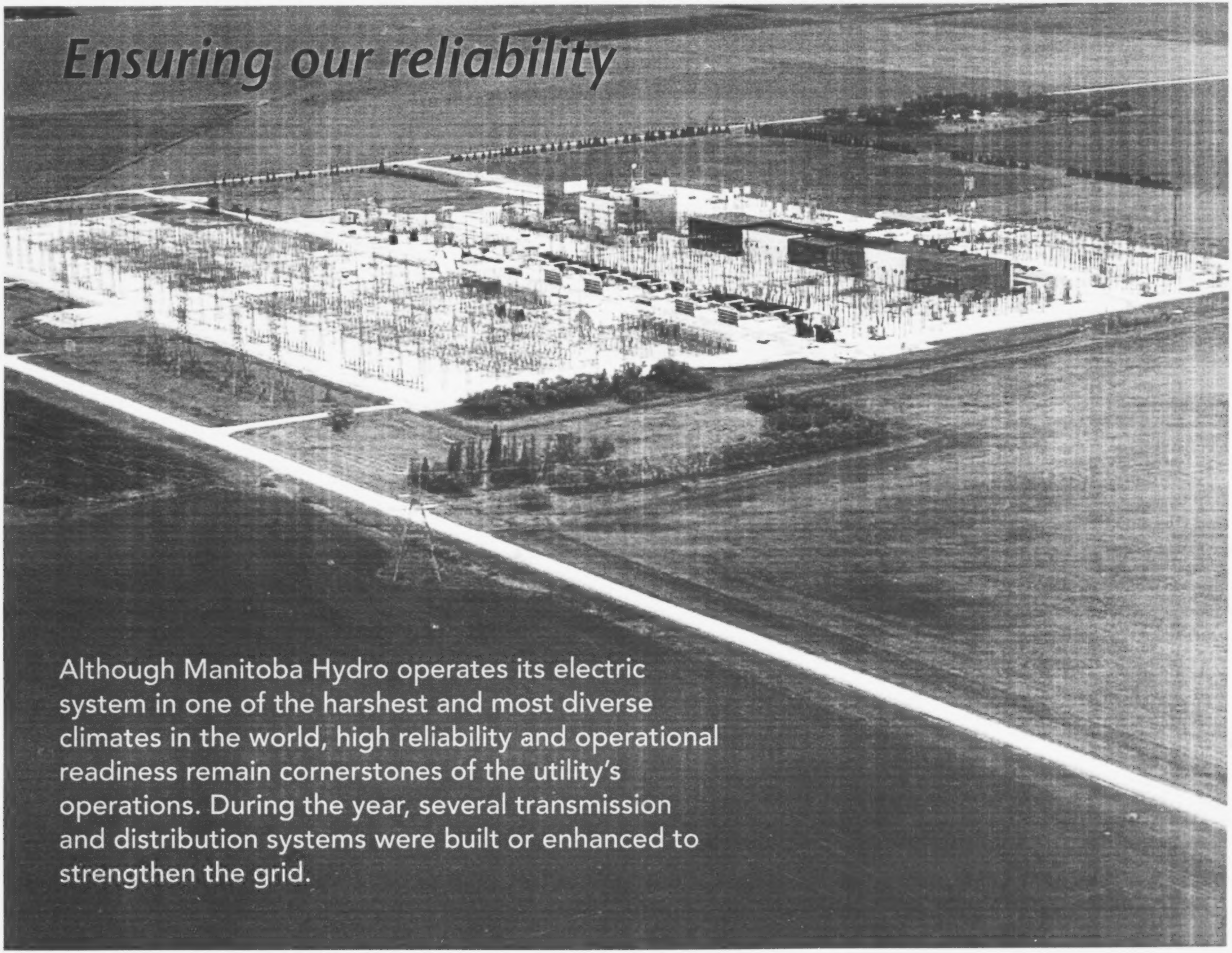


Manitoba Hydro purchases power from the 99-MW independent wind farm at St. Leon, Manitoba.



The oldest generating station in Manitoba Hydro's system—Pointe du Bois on the Winnipeg River.

Ensuring our reliability



Although Manitoba Hydro operates its electric system in one of the harshest and most diverse climates in the world, high reliability and operational readiness remain cornerstones of the utility's operations. During the year, several transmission and distribution systems were built or enhanced to strengthen the grid.

HERBLET LAKE TO RALL'S ISLAND TRANSMISSION LINE

Clearing of the 167 km right-of-way for the Herblet Lake to Rall's Island transmission line was started in late 2008. The 230-kV line, which forms the last segment of the Wuskwatim Generating Station transmission system, is expected to be complete by March of 2010. Approximately 75 per cent of the workers on the first winter of the project were local Aboriginal people from communities such as Opaskwayak Cree Nation, Cormorant, and The Pas.

RIEL RELIABILITY IMPROVEMENT INITIATIVE

Manitoba Hydro's only 500 kV alternating current transmission line—which operates between the Dorsey Station northwest of Winnipeg and the Forbes Station in Minnesota—will be segmented by constructing a new terminal station at the future Riel Converter Station site, east of Winnipeg. Through the Riel Reliability Improvement Initiative, the 500 kV line will effectively become two transmission sections linking three terminal stations—Dorsey, Riel, and Forbes. These modifications will create an alternate point at which electricity imported from the United States on the 500 kV line can be injected into southern Manitoba's 230 kV transmission system.

The public consultation process for the projects was completed this year and an Environmental Impact Statement was submitted to government regulators for the required approvals.

The Dorsey Converter Station near Rosser, Manitoba.

BIPOLE III

A new high voltage direct current (HVdc) 500-kV transmission line, known as Bipole III, is a necessary addition to the continued reliability of Manitoba Hydro's HVdc transmission system. During the year, the corporation started a Site Selection and Environmental Assessment process for the new transmission line to identify a proposed route. Community and public consultations took place with elected leaders, municipal officials, Aboriginal communities, landowners, regulatory authorities, and other interest groups. The first round of meetings and open houses were completed in early October 2008 and the second round started later that month.

Bipole III will include the construction of a new converter station near the proposed Conawapa Generating Station and terminate at the proposed Riel Converter Station just east of Winnipeg.

NERC RELIABILITY STANDARDS AND READINESS

In early April 2008 a team from the North American Electric Reliability Corporation (NERC) and other industry representatives visited the utility's system control facilities to conduct a readiness evaluation. The evaluation involved on-site interviews with staff from all levels of the organization, including members of the executive, senior management, and system engineers and operators. Feedback from NERC on Manitoba Hydro's readiness and preparedness was positive, confirming that the corporation is meeting reliability requirements.

In June 2008 the corporation signed an agreement authorizing NERC and the Midwest Reliability Organization (MRO) to undertake a comprehensive compliance monitoring and enforcement program. The agreement outlines the responsibilities of NERC and MRO in terms of monitoring, inspections, audits and other activities, to ensure that Manitoba's system operates reliably as part of the larger regional electricity grid.

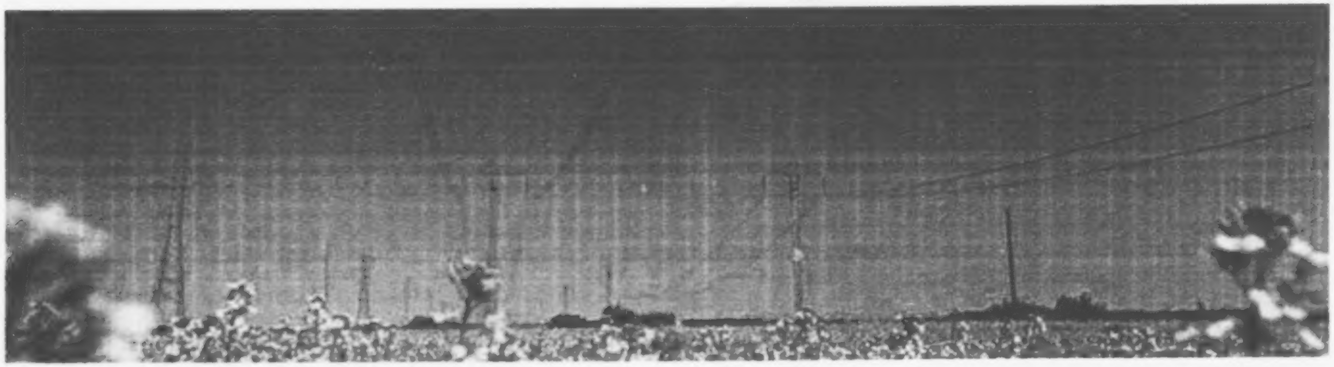
In April 2009 a bill was introduced in the Manitoba legislature which, if passed, will provide a framework for formalizing these arrangements into law and which will provide further protections.

FIBRE OPTICS AUGMENTED

Manitoba Hydro expanded its existing communications network with the installation of an underground fibre optic cable link between Letellier and Brandon. In addition, an overhead fibre optic segment was installed from Thompson to the Wuskwatim Generating Station camp site and work had started on an overhead fibre optic link from the Wuskwatim site to the Herblet Lake transmission station by year's end.

MICROWAVE SYSTEM REPLACED WITH DIGITAL TECHNOLOGY

After 33 years of continuous operation, the existing analog microwave radio system between Winnipeg and Gillam was replaced with a digital system this year. The microwave system is critical to the protection and control of the HVdc systems connecting northern converter stations to the Dorsey Converter Station northwest of Winnipeg.



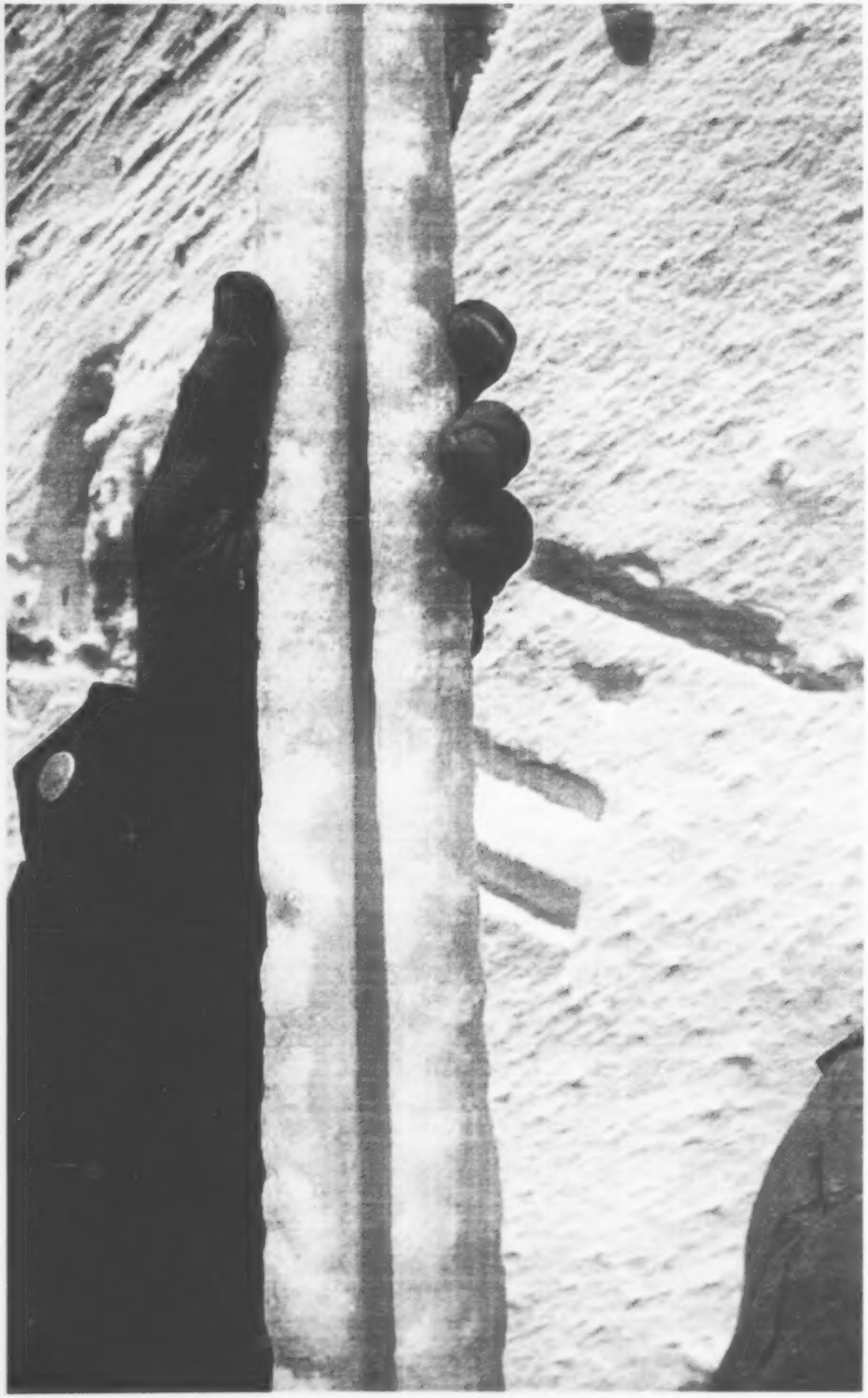
Manitoba Hydro's twin HVdc lines (middle) that run from Gillam, Manitoba to just northwest of Winnipeg.

COMBATING ICE STORMS

Ice storms often disrupt electrical service somewhere in the province every year—typically in the early winter or spring. The damage is usually the result of two effects—freezing rain accumulating on power lines and the high winds that often accompany it. As a result, the affected lines can gallop and short circuit, causing further damage to wood poles, towers, and power lines. Several measures were undertaken this year to mitigate the damaging effects of ice storms, including:

- Adding to its existing network of underground power lines in ice-prone areas, another four km of distribution power lines were trenched and buried in the summer of 2008 in the Pembina River valley. Known as Rural Underground Distribution, the practice is similar to the burying of distribution lines in urban centres and increases reliability in ice-prone areas.

- Another weapon in the ice-storm arsenal was launched this year with the Ice Detection Digital Image Recognition project. The project involves the installation of 23 advanced ice-detection weather stations located on select transmission and distribution lines in ice-prone areas throughout the province. Digital image software and camera technology detects ice accretions on the lines, acting as an early warning system. During an ice storm, the photos and data collected at the stations will assist operations staff in determining where best to concentrate their ice-fighting efforts.



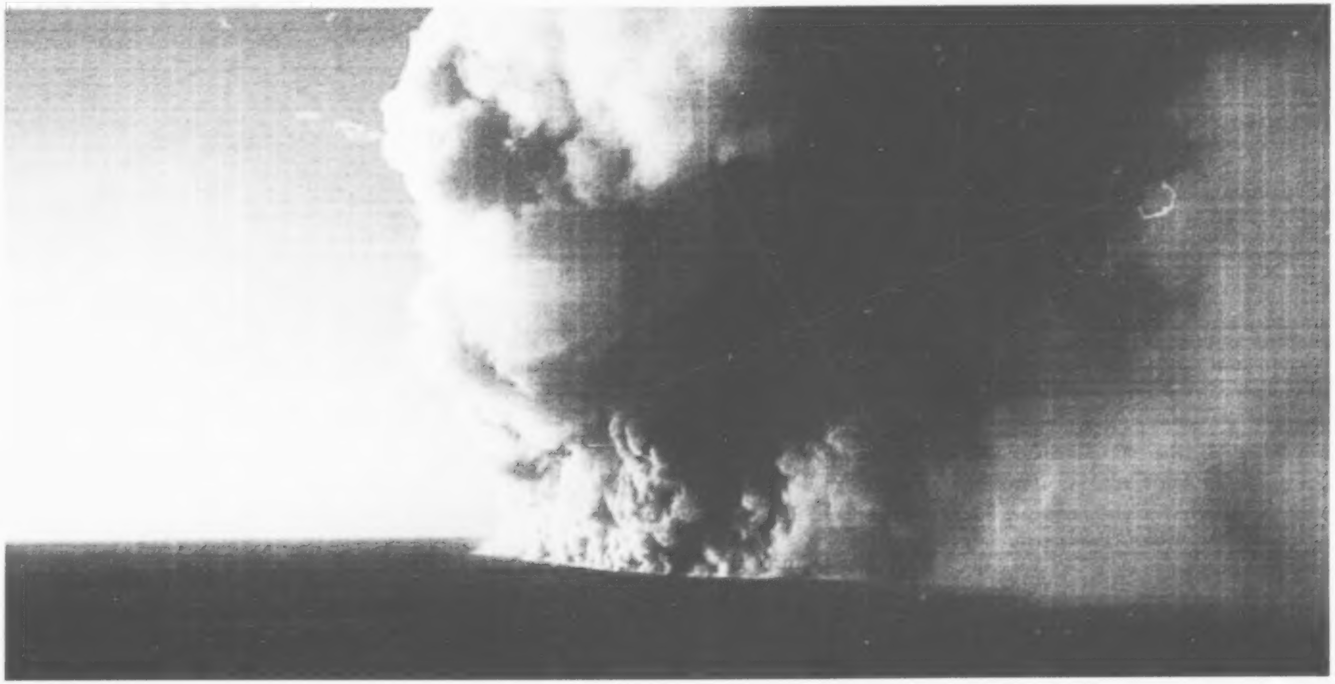
At the beginning of the year, an ice-storm caused outages to customers throughout Manitoba's Westman, Parkland, and Interlake regions. A lineman holds a piece of ice—typical of the storm system—dislodged from a power line near Gladstone.

HVdc LINE AFFECTED BY FOREST FIRE

In June 2008, a massive forest fire in an area 25 km north of Grand Rapids affected three of the four lines that make up Manitoba Hydro's HVdc transmission system. The lines tripped out of service for about an hour as a result but no customers were affected in Manitoba or extra-provincially. Interconnections—primarily from the U.S.—responded instantaneously and replacement generation was immediately available.

DISTRIBUTION SUPPLY CENTRE AT SEDDON'S CORNER

When the Milner Ridge Correctional Centre northeast of Beausejour expanded its operations into a medium-security facility, its electrical energy needs quadrupled. To meet the short time frame and supply requirements of the new facility, Manitoba Hydro installed one of its modern Distribution Supply Centres (DSCs) near the correctional centre. In addition to their quick installation time, DSCs include a more aesthetically-appealing, low-profile design that are less intrusive on the surrounding environment.



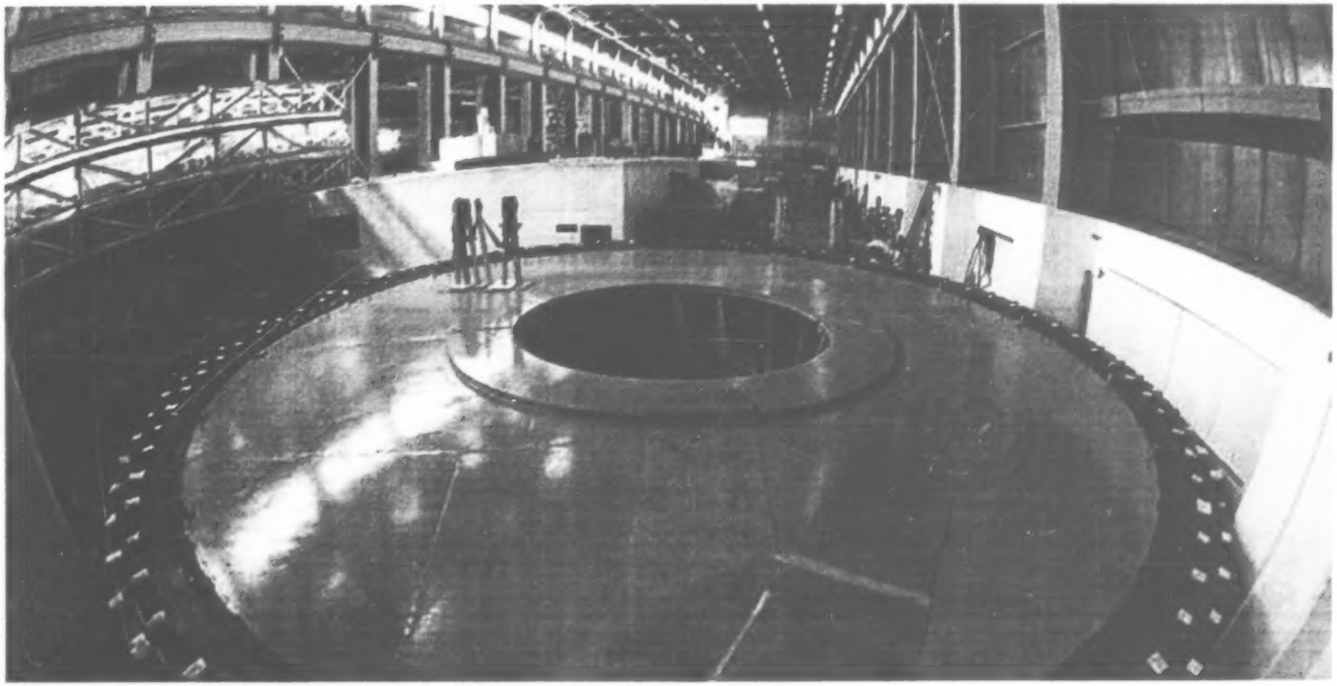
In early June 2008, a forest fire north of Grand Rapids threatened Manitoba Hydro's HVdc lines.

TECHNOLOGY TRANSFER AWARD

The Electric Power and Research Institute, headquartered in the United States, awarded its 2008 Technology Transfer Award to Manitoba Hydro and three other utilities (from the U.S., U.K., and South Africa) for the ZED-Meter Development project. The ZED-meter is a unique device developed for the measurement of transmission tower footing impedance—a key property in safety, reliability, and lightning protection.

IEEE AWARD

Manitoba Hydro's Bill McDermid was honoured with the 2009 Institute of Electrical and Electronics Engineers Canada Power Engineering Award for his contributions to the development of diagnostic test methods for the insulation systems of rotating machines, such as the rotor pictured below. Bill's innovations in the field have been adopted as industry standards and, without a doubt, have contributed to the enhanced reliability of electric power generation.



An exposed rotor from the Kelsey Generating Station—an essential component in hydroelectric production.

Protecting the environment

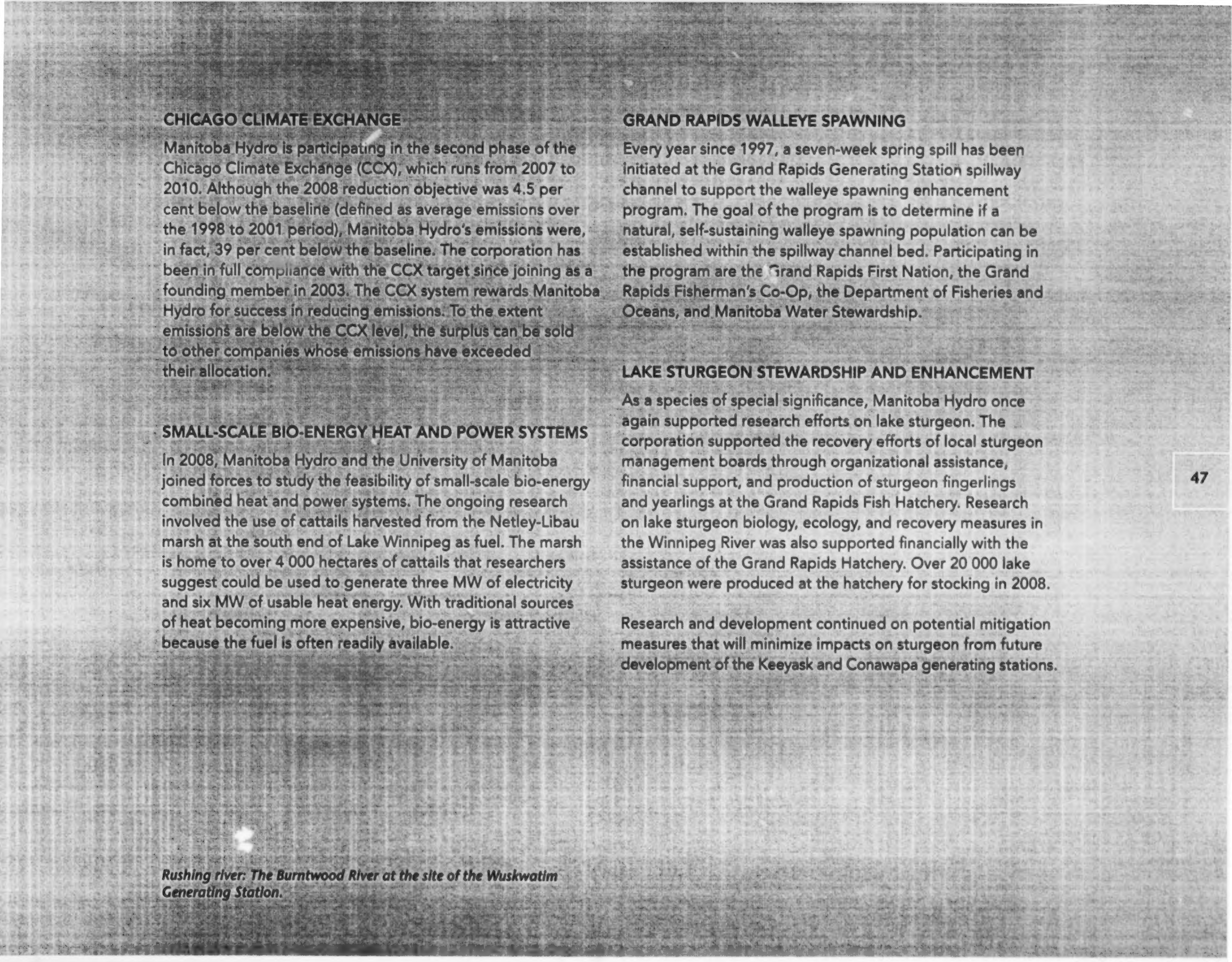
In addition to its new flagship headquarters—which represents the embodiment of the utility's commitment to environmental leadership—many other important initiatives related to the environment were created or maintained in the fiscal year.

CHICAGO CLIMATE EXCHANGE

Manitoba Hydro is participating in the second phase of the Chicago Climate Exchange (CCX), which runs from 2007 to 2010. Although the 2008 reduction objective was 4.5 per cent below the baseline (defined as average emissions over the 1998 to 2001 period), Manitoba Hydro's emissions were, in fact, 39 per cent below the baseline. The corporation has been in full compliance with the CCX target since joining as a founding member in 2003. The CCX system rewards Manitoba Hydro for success in reducing emissions. To the extent emissions are below the CCX level, the surplus can be sold to other companies whose emissions have exceeded their allocation.

SMALL-SCALE BIO-ENERGY HEAT AND POWER SYSTEMS

In 2008, Manitoba Hydro and the University of Manitoba joined forces to study the feasibility of small-scale bio-energy combined heat and power systems. The ongoing research involved the use of cattails harvested from the Netley-Libau marsh at the south end of Lake Winnipeg as fuel. The marsh is home to over 4 000 hectares of cattails that researchers suggest could be used to generate three MW of electricity and six MW of usable heat energy. With traditional sources of heat becoming more expensive, bio-energy is attractive because the fuel is often readily available.



Rushing river: The Burntwood River at the site of the Wuskwatim Generating Station.

GRAND RAPIDS WALLEYE SPAWNING

Every year since 1997, a seven-week spring spill has been initiated at the Grand Rapids Generating Station spillway channel to support the walleye spawning enhancement program. The goal of the program is to determine if a natural, self-sustaining walleye spawning population can be established within the spillway channel bed. Participating in the program are the Grand Rapids First Nation, the Grand Rapids Fisherman's Co-Op, the Department of Fisheries and Oceans, and Manitoba Water Stewardship.

LAKE STURGEON STEWARDSHIP AND ENHANCEMENT

As a species of special significance, Manitoba Hydro once again supported research efforts on lake sturgeon. The corporation supported the recovery efforts of local sturgeon management boards through organizational assistance, financial support, and production of sturgeon fingerlings and yearlings at the Grand Rapids Fish Hatchery. Research on lake sturgeon biology, ecology, and recovery measures in the Winnipeg River was also supported financially with the assistance of the Grand Rapids Hatchery. Over 20 000 lake sturgeon were produced at the hatchery for stocking in 2008.

Research and development continued on potential mitigation measures that will minimize impacts on sturgeon from future development of the Keeyask and Conawapa generating stations.

ADVANCING THE SCIENCE ON RESERVOIR GREENHOUSE GASES

Throughout the year Manitoba Hydro collaborated with research scientists from Fisheries and Oceans Canada, other hydroelectric utilities, and private companies to improve the understanding of greenhouse gas (GHG) emissions associated with hydroelectric reservoirs.

In 2003 the utility started installing automated GHG monitors at generating stations to study seasonal variations from older, well-established reservoirs. Monitors are currently in place at the McArthur, Kettle, Jenpeg and Grand Rapids generating stations. Several times each day, the monitors draw tiny water samples from the forebays and analyze them for carbon dioxide and methane concentrations. Manitoba Hydro was one of the first hydroelectric utilities to use the automated units—a technology pioneered by local Fisheries and Oceans Canada scientists.

GHG monitoring was also initiated in August 2008 at the Wuskwatim Generating Station and at the proposed site for the Keeyask Generating Station. Studying GHG emissions prior to reservoir creation established the basis to monitor changes in GHG emissions as the projects develop.

ENVIRONMENTAL PARTNERSHIP FUND FOCUSES ON EDUCATION

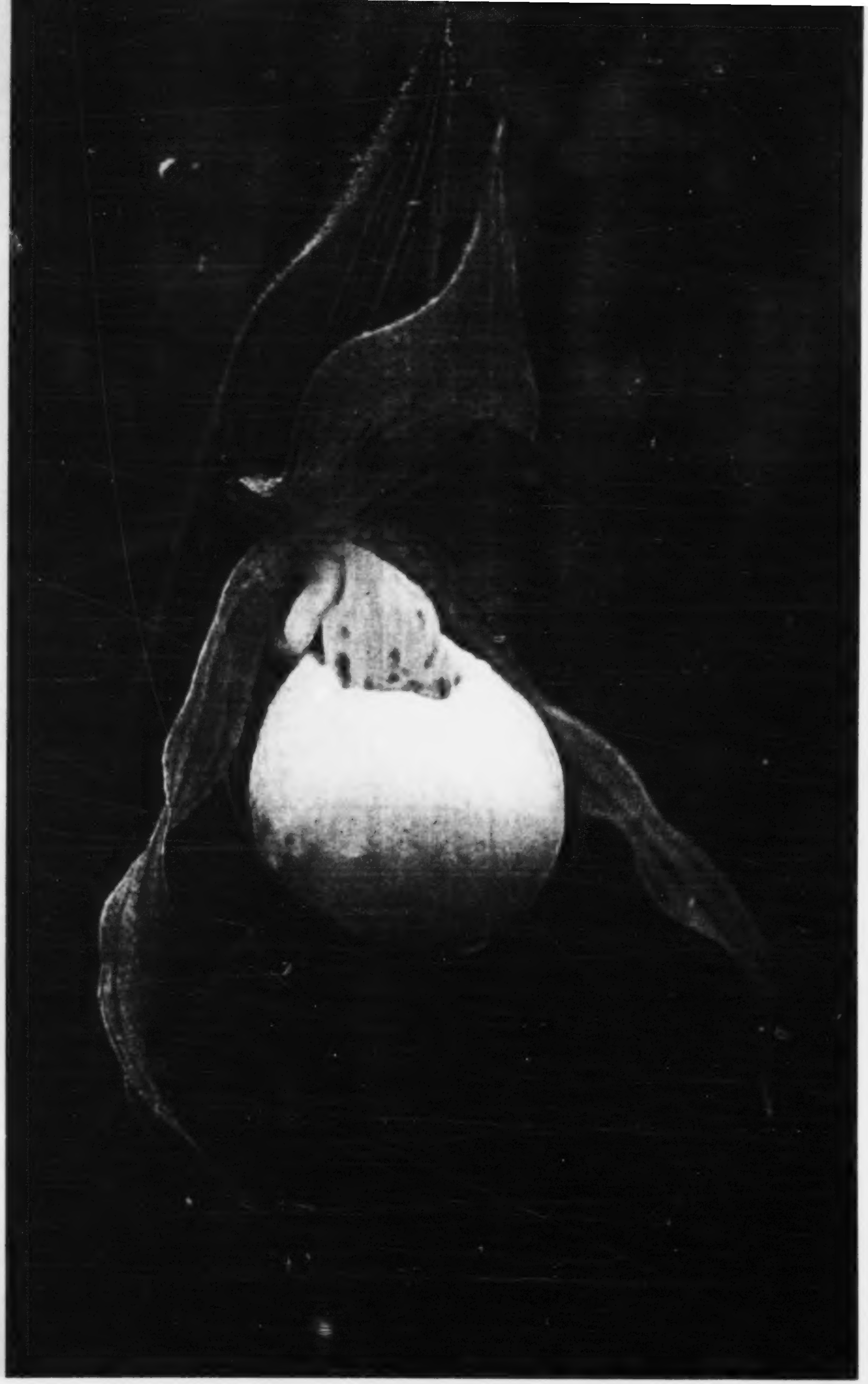
With an emphasis on supporting educational projects with a sustainable development focus, the corporation's Environmental Partnership Fund assisted over 30 community-based projects and educational ventures with funding or support in kind in 2008. Some of the projects included:

- The annual Manitoba Envirothon Competition, with participation from almost 40 Manitoba high schools, includes an environmental field test and a presentation to a panel of expert judges. The winning team went on to represent the province in the international CANON Envirothon, competing with other state and provincial winning school teams from the United States and Canada.
- Offered annually throughout Manitoba, "The Green Kids" presents an inter-active environmental theatre program for junior high school students.
- The Indigenous Animals' Native Legends education program—developed by Winnipeg's Assiniboine Park Zoo—allows visitors to interactively learn, share, and illustrate the uniquely Aboriginal cultural perspective of wildlife.
- Long-term development and delivery of a broad range of environmental and forest ecology education programs by the Manitoba Model Forest, in association with Aboriginal groups and other Manitoba communities, schools, and educators.

ENTHUSIASM ONGOING FOR FOREST ENHANCEMENT PROGRAM

Now in its 13th year, Manitoba Hydro's popular Forest Enhancement Program received numerous requests for tree plantings from rural and urban community organizations in the fiscal year. The Manitoba Conservation Districts Association, the Manitoba Forestry Association, Manitoba Model Forest, and Manitoba Communities in Bloom all play a role in the Forest Enhancement Program, furthering interest in forestry and the environment in general.

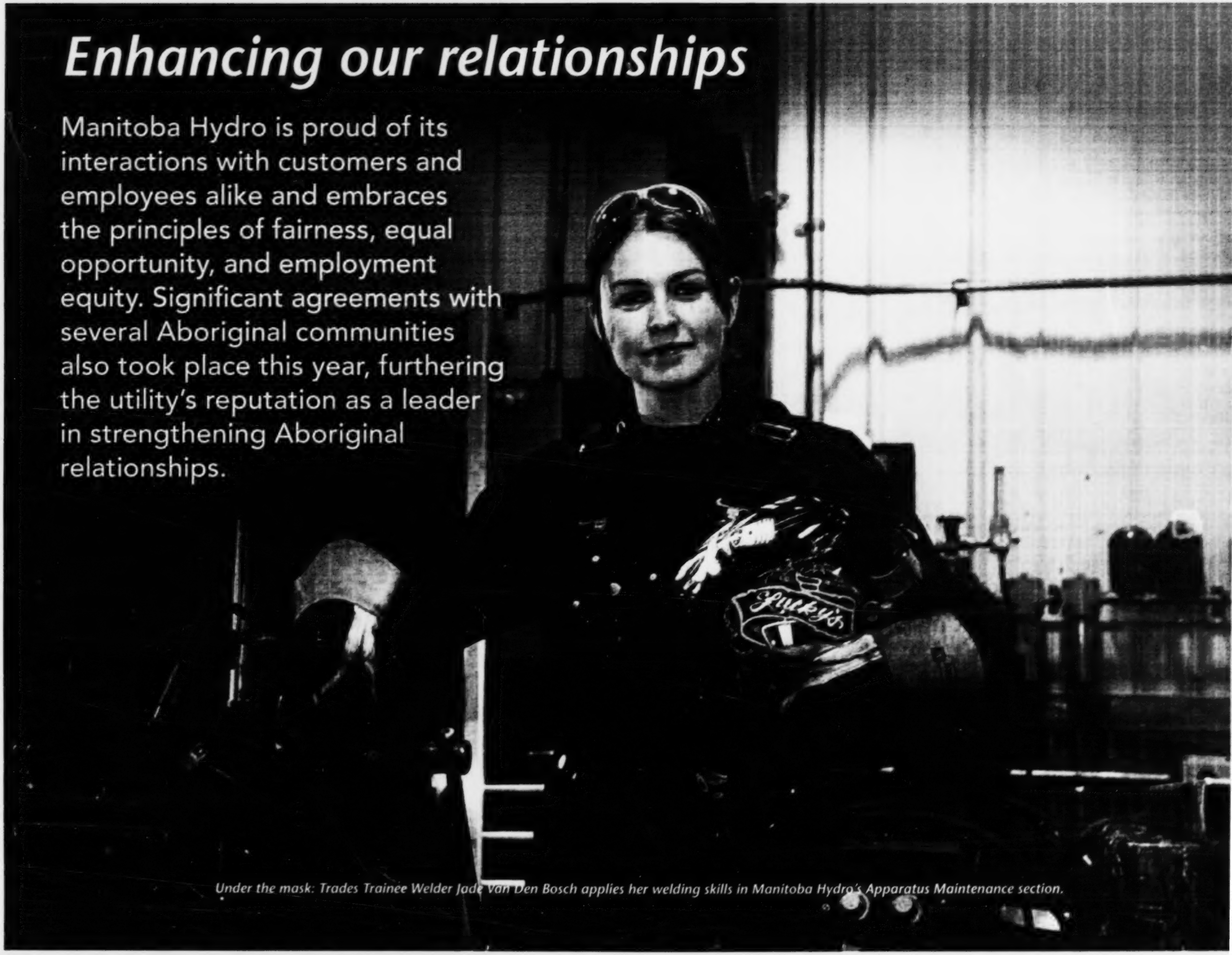
A few of the projects undertaken in the past year include the Spirit Walkway, Thompson; Town Cemetery Enhancement, Swan River; Community Beautification, Birtle; Day Lily Garden and Public Park, Carberry; Riparian Park Project, Steinbach; Golf Course Improvement, Melita; Gimli Yacht Club, Gimli; Veterans Park, Baldur; Patterson Lake Tree Planting, Rossburn; and John M. King School Grounds Redevelopment, Winnipeg.



A rare group of the endangered White Lady's Slipper orchid was discovered during environmental screening prior to the construction of the underground fibre optic cable system from Brandon to Letellier. Upon learning of the issue, Manitoba Hydro changed its design for this stretch of the line to preserve the orchid habitat using a technique called horizontal directional drilling. A follow-up inspection in June 2008 confirmed that the orchids were unaffected.

Enhancing our relationships

Manitoba Hydro is proud of its interactions with customers and employees alike and embraces the principles of fairness, equal opportunity, and employment equity. Significant agreements with several Aboriginal communities also took place this year, furthering the utility's reputation as a leader in strengthening Aboriginal relationships.



Under the mask: Trades Trainee Welder Jade Van Den Bosch applies her welding skills in Manitoba Hydro's Apparatus Maintenance section.

SENIOR YEARS APPRENTICESHIP OPTION PROGRAM

Through the Senior Years Apprenticeship Option Program at Radisson and Henday Converter Stations, Manitoba Hydro provides a means by which both high school and mature students can apprentice to become certified journeypersons. Participants receive paid on-the-job learning with classroom-based instruction. Once the apprenticeship phase has been completed, graduates become classified as Journeypersons in their trade which can lead to full-time employment opportunities. This year the program saw seven high school students; seven northern residents (who were upgrading through the Adult Learning Center) and eight mature students participate in the program.

TCN SEVERANCE LINE AGREEMENT SIGNED

Manitoba Hydro and the Tataskweyak Cree Nation (TCN) signed an agreement in January 2009 that enables the relocation of the severance line on the Split Lake reserve; the grant of a new inundation easement; the protection of TCN's shoreline and sacred ground; and the implementation of updated pre-determined compensation and debris collection arrangements.

TCN Chief Duke Beardy and President & CEO Bob Brennan sign a special agreement in January 2009.

ATTRACTING AND RETAINING EMPLOYEES

The province's labour market is similar to most other major North American centres—movement in and out of the job force is in a constant state of flux. Attracting and retaining employees of the highest calibre is mutually beneficial to Manitoba Hydro and its employees and the utility enjoys an enviable record.

With a diverse staff of over 6 000 people in a wide range of occupations, employee retention within the corporation far exceeds provincial and national averages. Long-term service for staff reaching their 25, 30, and 35-year anniversaries is commonplace. Attracting people with new skills and talents to Manitoba Hydro has been equally successful.

Contributing to the success of these efforts is a multitude of benefits, opportunities, and special programs, including many that support the principles of diversity and employment equity. Manitoba Hydro's number one priority with its human resources is to ensure that the workplace is always safe, healthy, and respectful.

TCN AND WAR LAKE FIRST NATION SIGN KEEYASK ADVERSE EFFECTS AGREEMENTS

On March 13, 2009, Manitoba Hydro signed Keeyask Adverse Effects Agreements with both TCN and War Lake First Nation. Members of the First Nations voted in separate referendums in February 2009, authorizing their respective chiefs and councils to sign the agreements, as well as the Joint Keeyask Development Agreement. These are important steps towards concluding partnership arrangements for the Keeyask Generating Station project.

The agreements, which were under negotiation for several years prior to the signing, address the anticipated adverse effects of the future Keeyask Generating Station, provide for the implementation of programs that will promote culture and language, ensure ongoing monitoring of environmental effects, increase members' access to and use of the resource area, and provide ongoing jobs for members through offsetting programs.

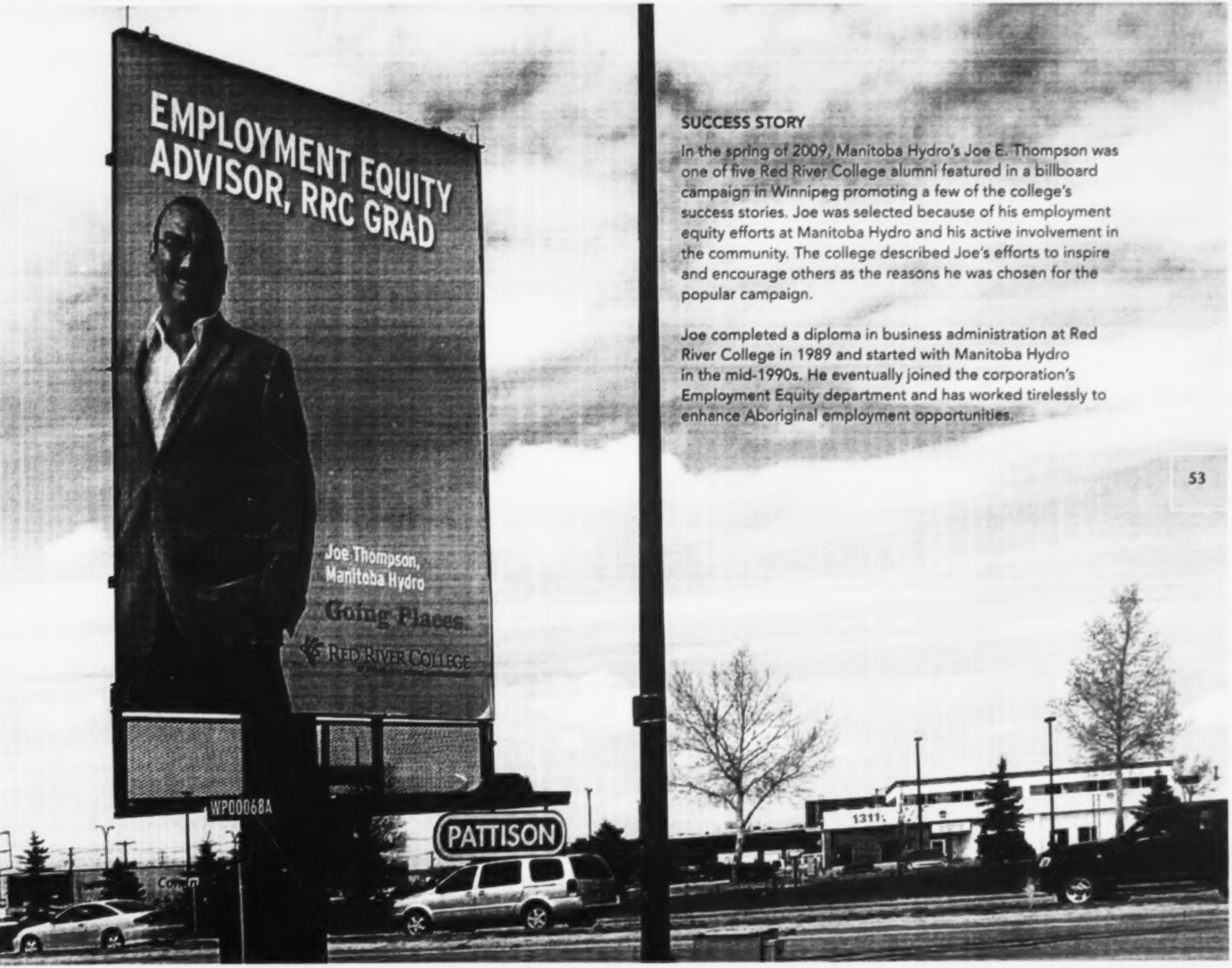
CROSS LAKE FIRST NATION

Previously established programming and initiatives in Cross Lake continued in 2008-09, including Safe Ice Travel, the Safe Portage Initiative, School Lunch, Elders' Fuel Wood, and trapping and domestic fishing programs. The programs taken together provide a significant source of local employment for the community. The Domestic Fishing Program, for example, provides employment for over 20 local fishers and supplies about 100 000 kg of fish to the community every year.

In addition to the ongoing programming at Cross Lake, a new initiative was introduced in April 2008 called the Cross Lake Community Information Centre. Staffed by local residents, the office provides a resource for sharing information and responding to community member inquiries. Additionally, the office hosted Community Open House events in May and September, with each drawing in excess of 400 residents.

Manitoba Hydro President Bob Brennan and Vice-President of Corporate Relations, Ruth Kristjanson, sign the Keeyask Adverse Affects Agreement in March 2009.

Manitoba Hydro's Jenpeg Generating Station on the Upper Nelson River.


EMPLOYMENT EQUITY ADVISOR, RRC GRAD
Joe Thompson,
Manitoba Hydro
Going Places.
RED RIVER COLLEGE
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SUCCESS STORY

In the spring of 2009, Manitoba Hydro's Joe E. Thompson was one of five Red River College alumni featured in a billboard campaign in Winnipeg promoting a few of the college's success stories. Joe was selected because of his employment equity efforts at Manitoba Hydro and his active involvement in the community. The college described Joe's efforts to inspire and encourage others as the reasons he was chosen for the popular campaign.

Joe completed a diploma in business administration at Red River College in 1989 and started with Manitoba Hydro in the mid-1990s. He eventually joined the corporation's Employment Equity department and has worked tirelessly to enhance Aboriginal employment opportunities.

HYDRO NORTHERN TRAINING AND EMPLOYMENT INITIATIVE

The Hydro Northern Training and Employment Initiative, a multi-year training initiative designed to prepare people for employment opportunities on Wuskwatim and Keeyask, continued through 2008. Since its inception, over 2 000 northern Aboriginal people have received training related to a variety of occupations, including carpentry, iron work, truck driving, and heavy equipment operating. Over 50 per cent of these individuals have already obtained employment experience related to their training.

The $60-million initiative is funded by Manitoba Hydro, Human Resources and Skills Development Canada, Indian and Northern Affairs Canada, Western Economic Diversification, and the Province of Manitoba. It's administered by the Wuskwatim and Keeyask Training Consortium.

WATERWAYS MANAGEMENT PROGRAM

Many Aboriginal people are employed by the corporation to promote safety along northern waterways through its Waterways Management Program. The multi-aspect program—which includes safe ice trail programming, debris clearing, and boat patrol initiatives—is also an important source of local employment. Boat patrol crew members, who hail from 14 Aboriginal communities across northern Manitoba, regularly monitor waterways across northern Manitoba, including reaches in the Churchill and Nelson River systems. The patrols complete a range of tasks, including placing navigational markers, collecting potential floating hazards, and helping other resource users in need.

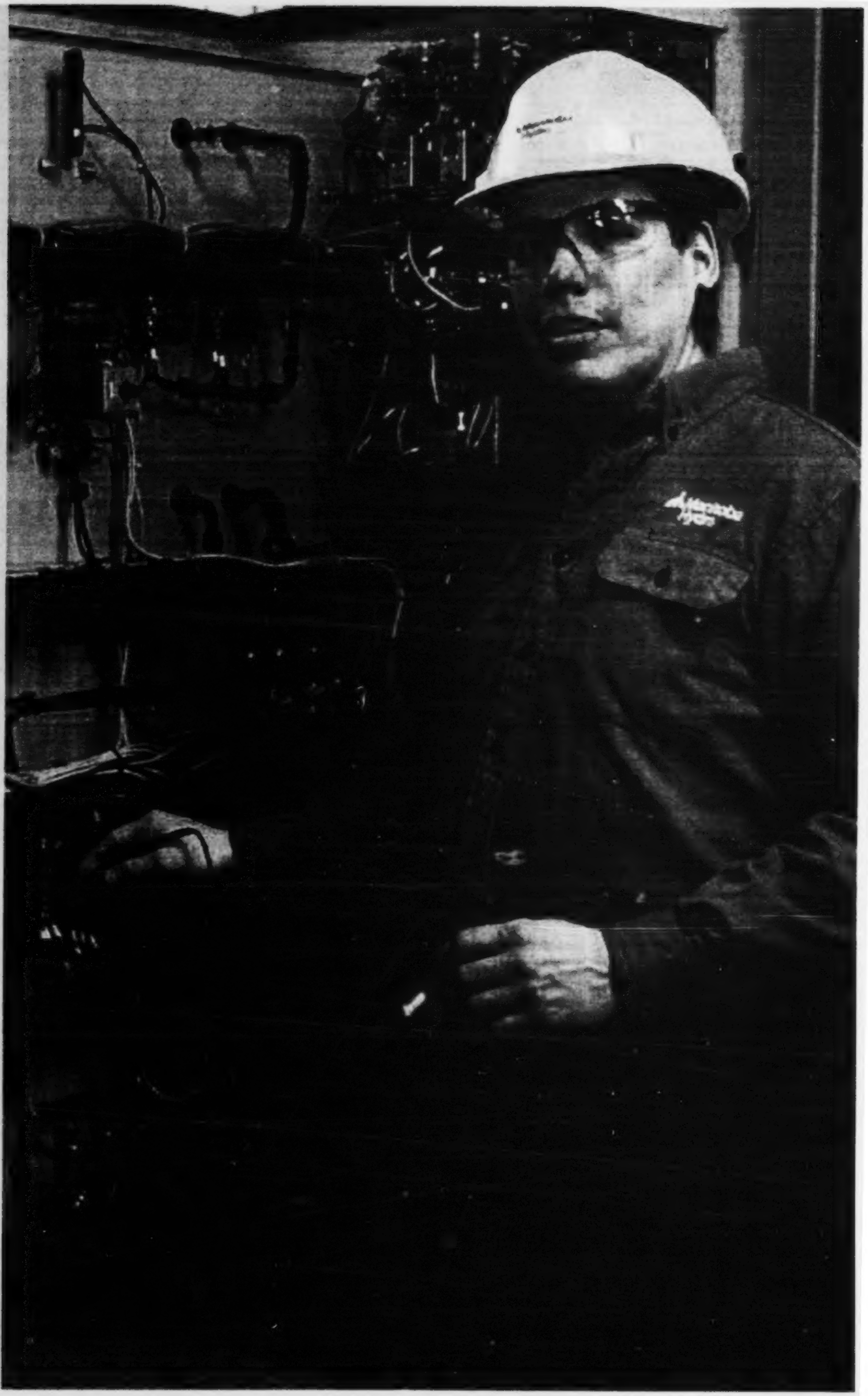
The corporation's Waterways Management Program includes safe ice trail maintenance, waterway debris clearing, and boat patrol initiatives—and provides an important means for local employment.

ABORIGINAL PRE-PLACEMENT TRAINING PROGRAM

Now in its 11th year, the successful Aboriginal Pre-Placement Training Program continued to provide training in the electrical and mechanical technician fields and assisted with mentorship and guidance for future employment with the corporation. This past year, 11 new trainees were hired into the program.

SPIRIT OF THE EARTH AWARDS MARKS SIX YEARS

The Spirit of the Earth Awards program—which started in 2002—seeks to publicly recognize environmentally-focused activities by Aboriginal people, or non-Aboriginal people working in partnership with Aboriginal communities. In 2008 Manitoba Hydro presented eight Spirit of the Earth Awards on National Aboriginal Day, June 21, 2008 during a special ceremony held at the Red River Exhibition in Winnipeg.



Nelson Houle, a third-year Power Supply Worker Apprentice at the Stonewall Training Centre.

Supporting the community

A reputation for active community involvement is just one of many characteristics Manitoba Hydro is particularly proud of. A multitude of community events, safety initiatives, and educational activities are sponsored by the corporation every year.

"KNOW YOUR HYDRO"

Manitoba Hydro expanded its successful "Know Your Hydro" advertising campaign this year with print and television ads describing some of the corporation's upcoming capital works projects, such as Bipole III and the Wuskwatim, Keeyask, and Conawapa generating stations. The back page of the print ad was devoted entirely to Manitoba Hydro Place as a showcase for sustainable development.

The ads also promote the corporation's cooperative relationships with Aboriginal communities; its proactive position as a leader in protecting the environment; and its use of cutting-edge technology. The campaign reinforced the message that many of the capital projects on the horizon will generate skilled employment, well paying jobs, and economic growth for the entire province.

EDUCATION FOR SUSTAINABLE DEVELOPMENT CONTINUES TO RESONATE

Now in its fourth year, the Education for Sustainable Development Grants Program, jointly funded and managed by Manitoba Education, Citizenship and Youth and Manitoba Hydro, promotes professional learning for teaching sustainability in classrooms. Following an annual applications process, school projects are selected and up to $2 000 awarded to support the planning and teaching of diverse sustainability-focused teaching modules.

TRAINING GOES MOBILE

Manitoba Hydro partnered with Red River College and the University College of the North this year to bring trades training to rural and northern communities by way of two mobile training units. The unique and innovative approach allowed for the teaching of a variety of technical trades, including welding, electrical, plumbing, carpentry, and industrial mechanics.

NATIONAL ABORIGINAL ACHIEVEMENT AWARDS

The corporation participated as a sponsor of the 16th Annual National Aboriginal Achievement Awards, held in Winnipeg's Centennial Concert Hall in March 2009. The annual event recognizes career achievement by aboriginal professionals in diverse occupations throughout Canada.

ISLAND LAKE WINTER GAMES

Manitoba Hydro was the major sponsor of the Island Lake Winter Games, which were held from March 9 to 13, 2009, in the communities of Waasagomach, Garden Hill, St. Theresa Point, and Red Sucker Lake. Part of the sponsorship included a safety campaign including a safety poster contest for students in Island Lake schools. The completed posters were displayed in the schools during and after the games.

MANITO AHBEE FESTIVAL

As a returning sponsor of the third annual Manito Ahbee Festival, Manitoba Hydro presented the Best Songwriter Award at the Aboriginal Peoples Choice Music Awards show in November 2008 at the MTS Centre in Winnipeg. The festival included the International Competition Powwow, which featured participants from all over the world, an Indigenous Marketplace and Trade Show, and Education Day.

JUNIOR ACHIEVEMENT

Four new employee advisors from diverse business areas of the corporation once again volunteered their guidance and expertise to teams of young Manitobans participating in Junior Achievement. The corporation has been a longtime sponsor and supporter of the program aimed at teaching financial and business skills to high school students.

POWER SMART MANITOBA GAMES

The Power Smart Manitoba Games took place in Carman, Manitoba from August 11 to 17, 2008. Over 30 employees and their families volunteered their time and energy to the annual event. Power Smart lighting technologies were also highlighted at the games and an animated Power Smart Manitoba Games display was created to promote the use of energy efficient lighting.

MANITOBA THEATRE CENTRE'S REGIONAL TOUR

For the eighth year in a row, Manitoba Hydro sponsored, in part, the Manitoba Theatre Centre's Annual Regional Tour. This year's play—a comedy called "Bad Dates" toured 21 rural and northern communities in Manitoba. The corporation's sponsorship helped to ensure that rural and northern residents also benefited from the theatrical arts.

POWER SMART ISLAND OF LIGHTS

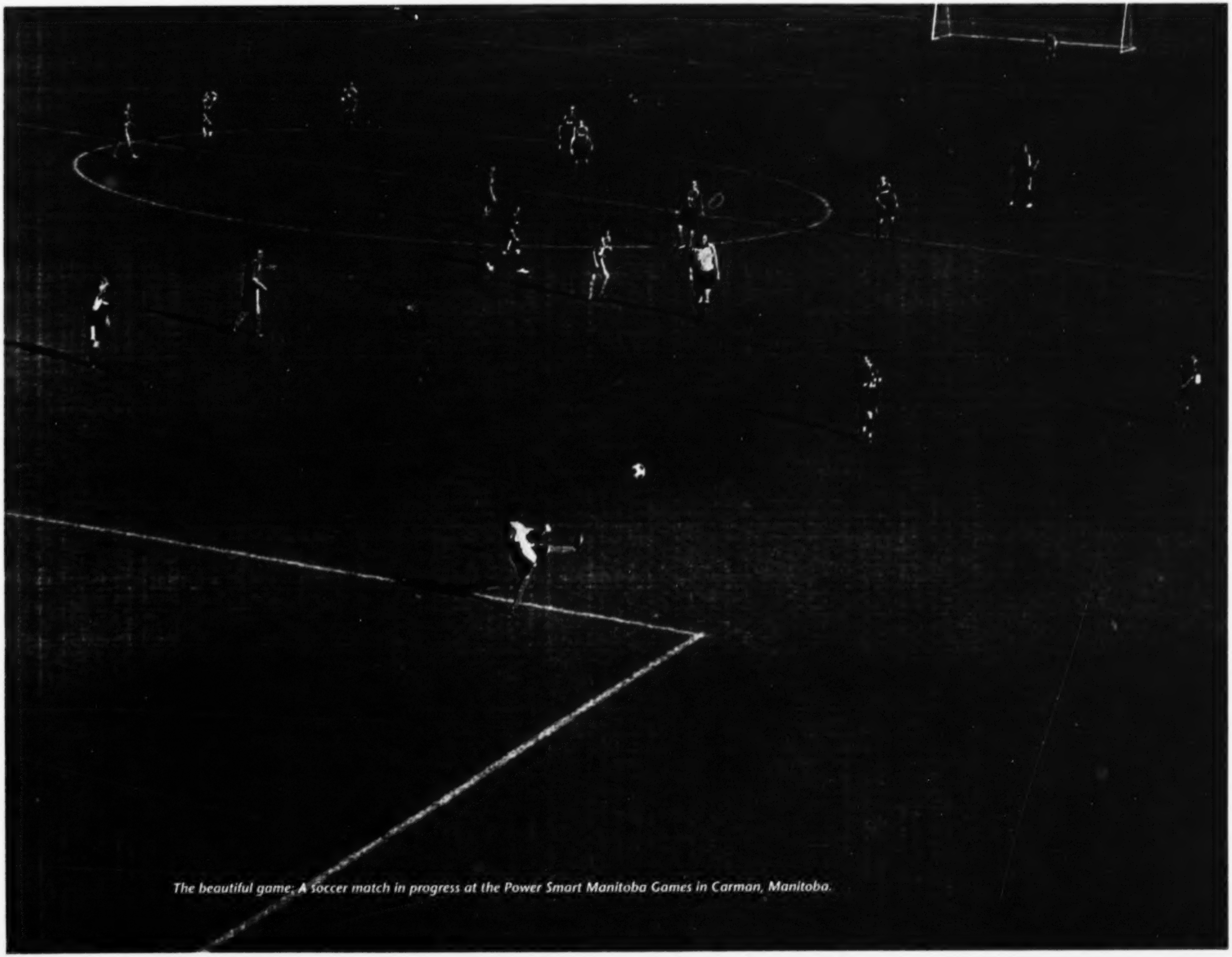
The Power Smart Island of Lights, which ran from November 29, 2008 to January, 8, 2009 in Portage la Prairie, Manitoba celebrated its 10th Anniversary as the title sponsor. The popular Christmas light display featured a new animated display promoting the upcoming Power Smart Manitoba Winter Games, which will be held in Portage la Prairie in March 2010.

DOWNED POWER LINES SAFETY CAMPAIGN

Every year, the utility actively promotes public safety concerns associated with power lines and associated equipment. This year's campaign included the use of billboards and print ads in various rural phone directories and featured a message on staying clear of downed power lines.

FARM SAFETY DAY CAMPS

Manitoba Hydro has worked diligently over the years with safety organizations and community partners to raise awareness of farm safety issues. The 2008 campaign once again delivered farm safety messages to youngsters in a camp environment in communities throughout rural Manitoba. Staff participated in 19 farm safety day camps and delivered safety messages to over 2 000 students. The Evergreen Hutterite Colony near Somerset, Manitoba hosted 300 students and 100 adults from eight surrounding colonies at their day camp. The camps are designed to increase awareness of possible hazards when working and playing on the farm. The "Shocking Connection" interactive game provides for an entertaining presentation that engages the participants.



The beautiful game: A soccer match in progress at the Power Smart Manitoba Games in Carman, Manitoba.

UNCONTROLLED BURNING CAN BE COSTLY

In the fall of 2008, a successful billboard campaign in Manitoba rural areas promoted the message: "Wildfire: Uncontrolled burning can be costly." Every year, wood utility poles are burned and electric service interrupted by grass and stubble fires, resulting in costly and time-consuming replacements.

"BE ALARMED"

An intensive campaign to remind customers to "Be Alarmed" and not ignore their carbon monoxide detectors was launched in the fall of 2008. The campaign included billboards, radio spots, and bus, newspaper, magazine, and newsletter advertising—as well as a "Smart Ideas" TV spot.

STANDBY GENERATOR SAFETY FEATURED AT BRANDON AG DAYS

The Manitoba Hydro display at Ag Days in Brandon in January 2009 focused on stand-by generators and the importance of having a transfer switch. A display board demonstrated the safe installation of a few different systems, including a household emergency sub-panel, and a 200-amp service entrance transfer switch—typically for farms with larger power take-off driven generators.

SNOWMOBILE SAFETY

Manitoba Hydro has been active in promoting snowmobile safety messages since the early 1990s, but an extensive campaign was launched once again in the early months of 2008. The campaign included billboards, school posters, TV advertising and releases for radio and newspapers.

NEW SAFETY EXHIBIT OPENS AT THE MANITOBA ELECTRICAL MUSEUM

A new exhibit in the lower level of the Manitoba Electrical Museum & Education Centre in Winnipeg was unveiled in March 2009. The banner reminds visitors to play and work safe and features two mannequins—a Power Line Technician and a Line Locator—both outfitted in today's safety gear. The interactive diorama is designed to enforce and support existing public safety materials and features an underground trench cross section. Two photo murals on the back wall showcase typical areas with power lines and potential danger points.

In the fiscal year, the museum hosted 55 school and youth groups—reaching about 1 220 students from Winnipeg, St. Pierre-Jolys, Ste. Rose du Lac, The Pas, Opaskwayak Cree Nation, and South Indian Lake.

SAFETY BUSINESS PARTNER AWARD

Safe Communities Canada presented Manitoba Hydro with the "Ambassador for Safety Business Partner Award" in November 2008. The corporation was recognized as a leading organization with regard to injury prevention through public education, media awareness activities, and commitment to the Safe Communities organization. Manitoba Hydro has been part of the Westman Injury Prevention Education Network throughout the 1990s and a member of Safe Communities in Brandon since 2002.

PLAY AND WORK SAFE - WE DO

A new exhibit in the Manitoba Electrical Museum & Education Centre reminds visitors to play and work safe.

Extending our expertise

In the fiscal year, a number of the corporation's individual subsidiaries and ventures— Manitoba Hydro International, WIRE Services, The Manitoba HVdc Research Centre, and telecommunications services— consolidated business operations to take advantage of commercial opportunities and cost saving synergies.

MANITOBA HYDRO INTERNATIONAL

Manitoba Hydro International (MHI) provides consulting, training and asset management services to electric utilities worldwide, primarily in developing countries. This past year, the subsidiary assisted clients in Kenya, East Timor, and Mozambique. MHI also provided expertise for the expansion of transmission and distribution facilities in southern Tanzania, and continues its work in supplying distribution and metering expertise in eastern Nigeria. MHI's involvement in Kenya, where less than 20 per cent of the population have access to electricity, resulted in electrical connections to 260 000 new customers.

WIRE SERVICES

Worldwide Integrated Rating Enhancement (WIRE) Services is a combined business initiative between Manitoba Hydro and Calgary-based LiDAR Services International. Through helicopters equipped with LiDAR scanning technology, information such as the maximum thermal operating limit of transmission lines relative to specified ground clearances can be determined. Using the technology Manitoba Hydro has collected data on some of its own critical transmission lines and WIRE has gained valuable and marketable experience.

Through helicopters equipped with LiDAR scanning technology, WIRE Services collects a variety of data on transmission lines.

MANITOBA HVdc RESEARCH CENTRE

After 27 years in operation, the Manitoba HVdc Research Centre continues to be recognized globally for leading power system expertise. Clients seek out the centre for assistance with training, research and engineering services, as well as the world-renowned PSCAD® (Power Systems Computer-Aided Design) Simulation Software. In the fiscal year, the centre provided 29 power system and PSCAD training courses to over 570 clients worldwide and is in the final stages of development for the next release of PSCAD.

MANITOBA HYDRO'S TELECOMMUNICATION SERVICES

Manitoba Hydro's telecommunication services group continued to provide commercial telecom expertise to over 40 internet and communications service providers as well as public entities and private companies. The group was presented with a Utilities Telecom Council Apex Award this past year that recognizes utilities around the world that use their telecommunications systems to improve the quality of life within their communities.

MHI has provided expertise to the Cahora-Bassa hydroelectric project in Mozambique.

Corporate governance

The Board of Manitoba Hydro models its approach to corporate governance on best practices in Canada, the United States, and Great Britain, as reflected in the advice and recommendations of bodies such as the Manitoba Crown Corporations Council, the Conference Board of Canada, the Corporate Executive Board, and Canadian Security Administrators.

The Board ensures the corporation's Code of Ethics, and ethics and social responsibility are considered in Board decisions. Minutes of Board meetings are public and the corporation's annual report and quarterly financial statements are tabled in the Legislature. The corporation is reviewed by the Crown Corporations Council and by a committee of the Legislature.

The Audit Committee of the Board reviews the corporation's Integrated Financial Forecast and makes recommendations to the Board. The Audit Committee also reviews the integrated risk management plan developed and maintained by the corporation and makes recommendations to the Board. The Audit Committee obtains opinions from external auditors, internal auditors, and management on the quality of internal controls.

The Board and Audit Committee review management systems for ensuring legal compliance. Conflict of interest policies are in place for members of the Board, officers, and employees. The Board ensures that certifications with respect to the accuracy of financial statements are provided by the CEO and CFO.

The Board sits as the planning committee for the corporation and approves the Corporate Strategic Plan each year. The Human Resources Committee of the Board has responsibility for succession planning.

INTEGRITY PROGRAM

Manitoba Hydro encourages employees and others to speak up on matters of concern without fear of reprisal, through its Integrity Program. All disclosures under the Integrity Program are protected by strict rules of confidentiality. The list below is a summary of all disclosures received during 2008-09 which allege wrongdoing as defined in The Public Interest Disclosure (Whistleblower Protection) Act:

Total number of disclosures received:	22
Number of disclosures ongoing from 2007/08:	1
Number of disclosures acted upon:	23
Number of disclosures not acted upon:	0
Number of investigations commenced:	23
Number of disclosures that were verified:	11

Corrective action was taken for each verified incident, as follows:

Contractor employee did not return to work after allegation of criminal conduct.
Employee referred to Employee Assistance Program for conduct off-duty.
Employee terminated for fraud.
Employee terminated for theft and fraud.
Employee terminated for fraud.
Employee suspended pending discipline for fraud.
Employees counseled on appropriate cultural behaviour.
Employee terminated for sexual harassment.
Employee disciplined for sexual harassment.
Employees counseled on harassment and bullying.
Employee disciplined for sexual harassment.

Financial review

Management discussion and analysis

The Management Discussion and Analysis (MD&A) reports on the consolidated financial results and operational performance of Manitoba Hydro for the year ended March 31, 2009. The MD&A should be read in conjunction with the consolidated financial statements and notes. The MD&A also provides an assessment of Corporate risks and contains forward-looking statements regarding conditions and events which may affect financial performance in the future. Such forward-looking statements are subject to a number of uncertainties which may cause actual results to differ from those anticipated. To the extent known to management, risks and uncertainties have been quantified within reasonable ranges of materiality.

As a provincially-owned Crown Corporation, Manitoba Hydro's mandate is to provide for the continuance of a supply of energy to meet the needs of Manitoba consumers in the most reliable, economic, and environmentally sustainable manner. In fulfilling its mandate, Manitoba Hydro has established a number of goals with related measures and targets. In addition to a review of financial and operational performance for 2008-09, this MD&A reviews Manitoba Hydro's progress towards achieving the Corporate strategic goals.

FINANCIAL OVERVIEW

Manitoba Hydro's consolidated net income from electricity and natural gas operations for the fiscal year ended March 31, 2009 was $298 million compared to $346 million in the previous fiscal year. The decrease in net income of $48 million compared to the previous year was largely attributable to the cost of higher fuel and power purchases to support profitable export resales and increased operating, maintenance and depreciation expenses in both the electricity and natural gas segments of business.

The consolidated net income of $298 million for the fiscal year 2009 was comprised of a $289 million profit in the electricity sector and a $9 million profit in the natural gas sector. The gas sector profit represented a $3 million improvement over the previous year which was mainly a result of colder weather during the winter of 2008-09, as well as a 1% distribution rate increase implemented on May 1, 2008.

The schedule below summarizes Manitoba Hydro's consolidated financial results for the fiscal year ended March 31, 2009 compared to the previous fiscal year.

FINANCIAL RESULTS - For the year ended March 31

	ELECTRICITY		NATURAL GAS		CONSOLIDATED	
	2009	2008	2009	2008	2009	2008
			millions of dollars			
Revenues						
Manitoba (net of cost of gas sold)	1 161	1 097	149	142	1 310	1 239
Extraprovincial	623	625			623	625
	1 784	1 722	149	142	1 933	1 864
Expenses	1 495	1 382	140	136	1 635	1 518
Net income	289	340	9	6	298	346
Total assets	11 731	11 168	610	598	12 341	11 766
Total retained earnings	2 084	1 795	36	27	2 120	1 822
Financial Ratios						
Debt:Equity					75:25	76:24
Interest coverage					1.58	1.69
Capital coverage					1.81	1.62

CONSOLIDATED RESULTS

Revenues from consolidated electricity and natural gas operations totaled $2 364 million in 2008-09 compared to $2 250 million in the previous fiscal year. After deducting the cost of gas sold, which is a pass-through cost with no mark-up to customers by Manitoba Hydro, revenues amounted to $1 933 million compared to $1 864 million in the prior year. The $69 million or 3.7% increase in revenues is mainly attributable to increases in electricity and natural gas rates implemented during the year as well as to considerably colder than normal weather during the winter of 2008-09.

Expenses for electricity and natural gas operations increased from $1 518 million in 2007-08 to $1 635 million in 2008-09. This increase of $117 million or 7.7% in expenses was largely due to $45 million higher operating, maintenance and administrative costs, $42 million higher power purchased costs as a result of higher purchases for resale into export markets and $25 million higher costs for depreciation and amortization due to capital additions.

Net income from electricity and natural gas operations amounted to $298 million in 2008-09 compared to $346 million in the previous year. The consolidated net income increased retained earnings from $1 822 million at March 31, 2008 to an all time high of $2 120 million at March 31, 2009, improving the debt:equity ratio to 75:25 at fiscal year-end. These improvements are depicted in the accompanying charts.

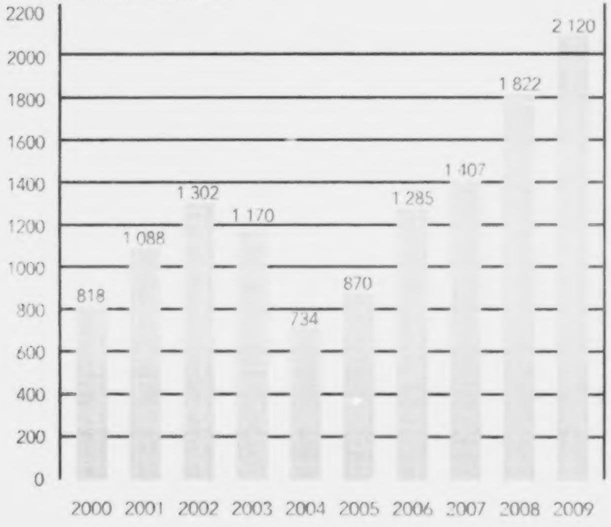
Financing
Cash provided from operations in 2008-09 was $701 million, an increase of $68 million from the previous year.

Proceeds from new financing arranged by the Corporation amounted to $423 million in 2008-09. These proceeds were primarily used to fund new capital requirements during the year.

During 2008-09, the Corporation retired $366 million of debt comprised of Provincial Advances of $291 million, HydroBonds of $48 million and Manitoba Hydro-Electric Board Bonds of $27 million.

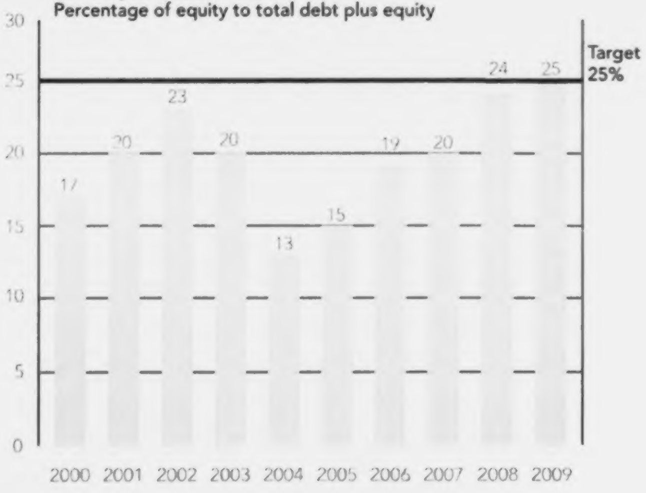
RETAINED EARNINGS

For the year ended March 31
millions of dollars



EQUITY RATIO

For the year ended March 31
Percentage of equity to total debt plus equity



ELECTRICITY OPERATIONS

ELECTRICITY REVENUES

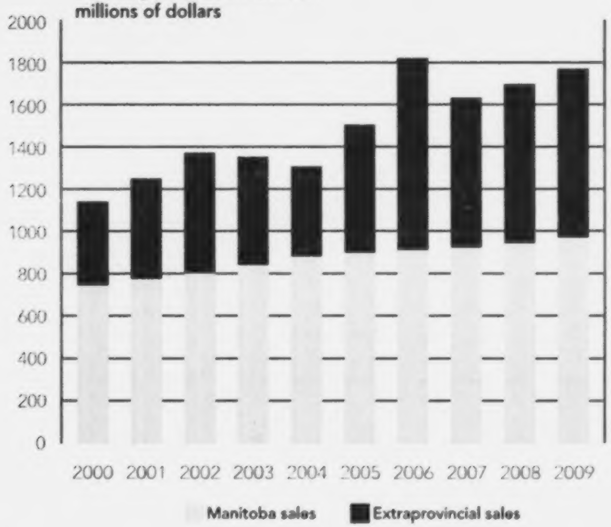
Total revenues from electricity sales amounted to $1 784 million, an increase of 3.6% or $62 million from the previous year. The increase is a result of a $64 million increase in domestic sales and a $2 million decrease in extraprovincial sales. The increased revenues from electricity sales in Manitoba were primarily due to a 5% rate increase implemented July 1, 2008 and to higher weather-related usage during the winter heating season.

The general rate increase of 5% for all customer classes (excluding area and roadway lighting) which was implemented July 1, 2008 contributed approximately $43 million to the increase in electricity revenues.

Manitoba Hydro's electricity rates continue to be among the lowest in North America. This is illustrated in the accompanying chart which was excerpted from utilities' annual reports and United States Department of Energy publications.

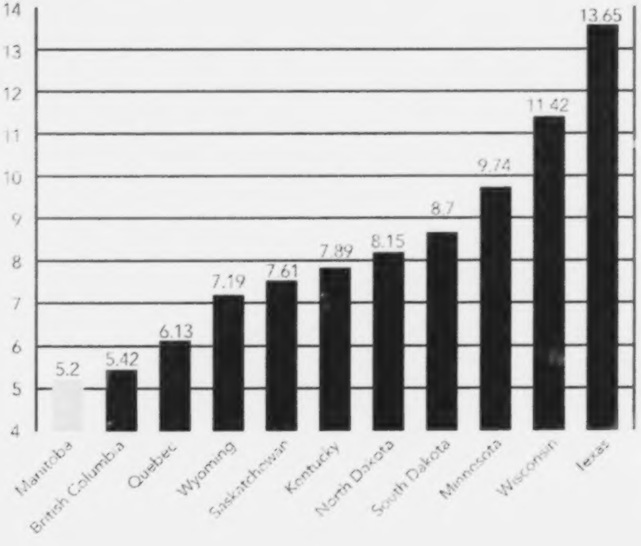
ELECTRICITY REVENUES

For the year ended March 31
millions of dollars



RETAIL PRICE OF ELECTRICITY

cents/kWh (Cdn)



The breakdown of electricity sales by customer segment is as follows:

ELECTRICITY SALES - For the year ended March 31

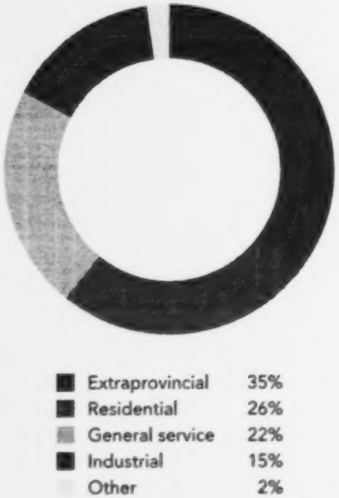
	2009	2008	% change	2009	2008	% change
	millions of dollars			*millions of kWh*		
Manitoba						
Residential	463	436	6.2	6 954	6 838	1.7
General service	394	379	4.0	6 640	6 616	0.4
Industrial	270	259	4.2	7 616	7 607	0.1
Other revenue	34	23	-	-	-	-
	1 161	1 097	5.8	21 210	21 061	0.7
Extraprovincial	623	625	(0.3)	10 122	11 086	(8.7)
	1 784	1 722	3.6	31 332	32 147	(2.5)

Revenues from electricity sales in Manitoba rose to $1 161 million from $1 097 million, an increase of $64 million or 5.8% from the previous year. Electricity consumption in Manitoba was 21 210 million kilowatt-hours, 149 million kilowatt-hours more than the 21 061 million kilowatt-hours consumed in the 2007-08 fiscal year.

Revenue from sales to residential customers for 2008-09 increased by $27 million or 6.2% to $463 million. This increase was primarily due to colder weather experienced in 2009 as compared to 2008, a 5% rate increase effective July 1, 2008, and to an increase in the number of residential customers of 5 374 during the year, totalling 460 804 at March 31, 2009.

Revenue from general service customers amounted to $394 million in 2008-09, an increase of $15 million compared to the previous year. The increase was mainly attributable to the July 2008 rate increase and colder weather.

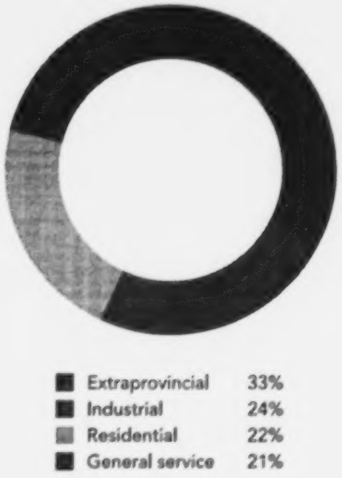
ELECTRICITY REVENUE
For the year ended March 31, 2009



Revenue from large industrial customers increased $11 million to $270 million in 2008-09. The change was a result of the July 2008 rate increase and increased consumption by a number of the larger industrial customers.

Extraprovincial revenues of $623 million were $2 million lower than in 2007-08. The small decrease reflects lower U.S. and Canadian sales volumes mainly offset by favourable foreign exchange rates on U.S. sales and higher energy resales. Of the total extraprovincial revenues, $491 million or 79% was derived from the U.S. market, while $131 million or 21% was from sales to Canadian markets.

kWh CONSUMPTION
For the year ended March 31, 2009



ELECTRICITY EXPENSES

Total expenses from electricity operations amounted to $1 495 million for 2008-09, an increase of $113 million or 8.2% from the previous year. The increase in expenses was largely due to increased fuel and power purchases of $42 million, increased operating, maintenance and administrative expenses of $42 million and increased depreciation and amortization expense of $23 million.

ELECTRICITY EXPENSES - For the year ended March 31

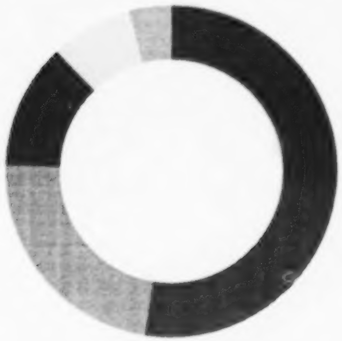
	2009	2008	% change
	millions of dollars		
Operating and administrative	377	335	12.5
Finance expense	402	401	0.2
Depreciation and amortization	347	324	7.1
Water rentals and assessments	123	124	(0.8)
Fuel and power purchased	176	134	31.3
Capital and other taxes	63	57	10.5
Corporate allocation	7	7	-
	1 495	1 382	8.2

Operating and administrative expenses are comprised primarily of labour, material, and overhead costs associated with operating, maintaining, and administering the facilities of the Corporation. In 2008-09, operating and administrative expenses for electric operations amounted to $377 million, an increase of 12.5% or $42 million over 2007-08. Higher than normal operating expenditures were incurred during the year to maintain Manitoba Hydro's generation, transmission and distribution systems as well as to restore plant damaged by storm activity in the province.

Finance expense of $402 million is comparable to the previous year amount of $401 million. The unfavourable impacts of foreign exchange as a result of a weakening Canadian dollar and increased average debt volumes were largely offset by favourable interest rates.

Depreciation expense amounted to $347 million in 2008-09 an increase of $23 million or 7.1% over the previous year. The increase was attributable to new additions to plant and equipment during the year, as well as to the reduction in the amortization period of electric Power Smart programs from 15 years to 10 years.

ELECTRICITY EXPENSES
For the year ended March 31, 2009



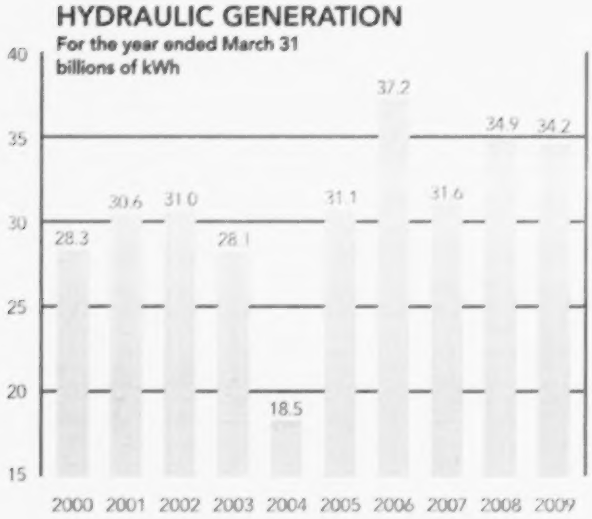
■	Finance expense	27%
■	Operating and administrative	25%
▨	Depreciation and amortization	23%
■	Fuel and power purchased	12%
□	Water rentals and assessments	8%
▨	Capital and other taxes	4%

ELECTRICITY DEPRECIATION AND AMORTIZATION - For the year ended March 31

	2009	2008	% change
	millions of dollars		
Generation	113	100	13.0
Transmission	13	13	-
Stations	73	73	-
Distribution	79	73	8.2
Other	69	65	6.2
	347	324	7.1

Water rentals are paid to the Province for the use of water resources in the operation of the Corporation's hydroelectric generating stations. The $1 million decrease in water rentals to $123 million in 2008-09 reflects a decrease in hydraulic generation from the prior year. Hydraulic generation amounted to 34.2 billion kilowatt-hours in 2008-09 compared to 34.9 billion kilowatt-hours in 2007-08.

Fuel and power purchased costs for 2008-09 amounted to $176 million, an increase of $42 million or 31% compared to the previous year. The increase in power purchased costs was primarily the result of a higher volume of purchases for resale into the export market.



HYDRAULIC GENERATION

For the year ended March 31

billions of kWh

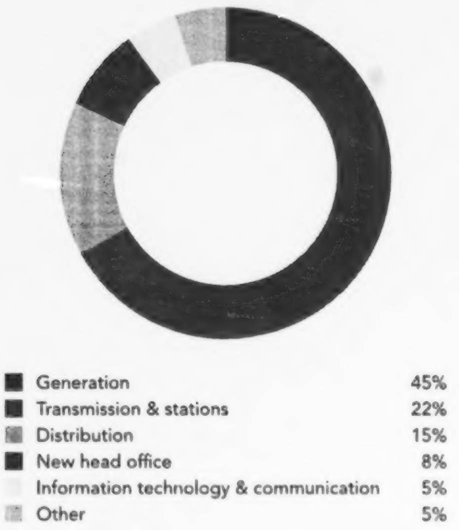
ELECTRICITY CAPITAL EXPENDITURES

Expenditures for capital construction totaled $888 million in 2008-09 compared to $801 million during the previous fiscal year. Capital expenditures for ongoing plant and equipment requirements, referred to as base capital, amounted to $429 million which is relatively consistent with the previous year.

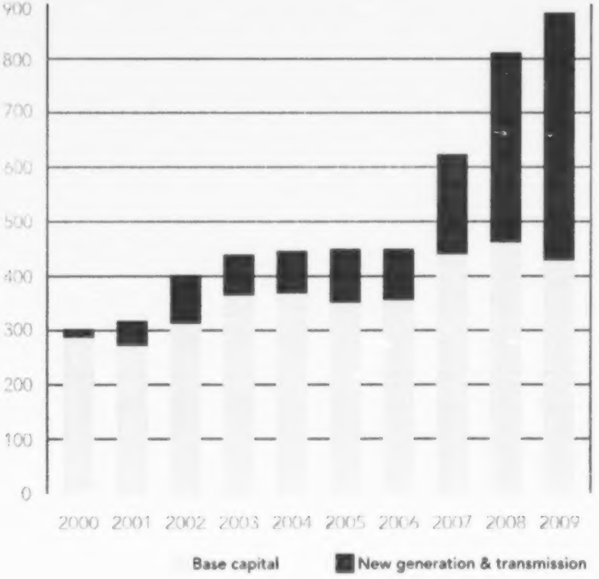
Generation capital expenditures of $404 million included $175 million related to the Wuskwatim Generating Station and $88 million related to future Conawapa and Keeyask generation facilities. Also included in generation capital expenditures was $44 million for hydraulic generation system upgrades for Kelsey Generating Station and $97 million for various generation capital projects.

New transmission line and transmission upgrade projects amounted to $136 million, including $92 million for the Wuskwatim transmission line. Substation additions and upgrades totaled $60 million. Distribution system additions and modifications to meet the service requirements of customers were $130 million. New information technology development and expenditures on communication projects totaled $47 million. Expenditures for Manitoba Hydro's new downtown head office amounted to $69 million during the year. The remaining capital expenditures of $42 million were for replacement of equipment and fleet vehicles.

ELECTRICITY CAPITAL EXPENDITURES
For the year ended March 31, 2009



ELECTRICITY CAPITAL EXPENDITURES
For the year ended March 31
millions of dollars



NATURAL GAS OPERATIONS

Centra Gas is a wholly-owned subsidiary of Manitoba Hydro. Centra distributes natural gas to 238 273 residential and 24 735 commercial and industrial customers in Manitoba.

Net income in the gas sector was $9 million in 2008-09 compared to net income of $6 million in the previous year. The improved financial performance over the previous year was primarily attributable to increased demand due to colder weather and a distribution rate increase implemented on May 1, 2008.

Revenues from the sale and distribution of natural gas during 2008-09 were $580 million, an increase of $52 million from the previous year. After deducting the cost of gas sold, which is a pass-through cost with no mark-up by Centra, net revenues amounted to $149 million, an increase of $7 million from 2007-08. The increase in net revenue is a reflection of colder weather than the previous year and a 1% distribution rate increase implemented on May 1, 2008. Natural gas deliveries were 2 165 million cubic metres in 2008-09 compared to 2 156 million cubic metres in 2007-08.

As directed by the Public Utilities Board, $3.8 million of revenue from 2008-09 was set aside to implement a program targeted to low-income customers and qualified seniors on fixed incomes to assist in the replacement of low efficiency furnaces with high efficiency furnaces.

NATURAL GAS REVENUES - For the year ended March 31

	2009	2008	% change
	millions of dollars		
Residential	320	293	9.2
Large general service	185	168	10.1
Large commercial & industrial	38	34	11.8
Interruptible	30	26	15.4
T-service and other	7	7	-
	580	528	9.8

NATURAL GAS DELIVERIES - For the year ended March 31

2009	2008	% change
millions of cubic metres		
760	746	1.9
547	527	3.8
151	161	(6.2)
104	104	-
603	618	(2.4)
2 165	2 156	0.4

In accordance with Centra's quarterly rate-setting methodology, annualized rates for natural gas supplied to residential customers changed during 2008-09 as follows:

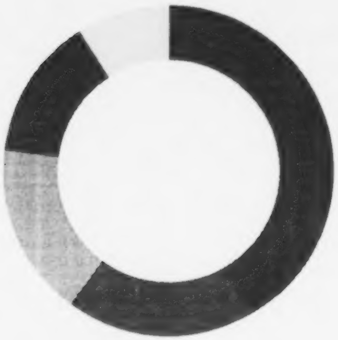
- May 1, 2008	7.4%	increase
- August 1, 2008	5.8%	increase
- November 1, 2008	5.4%	decrease
- February 1, 2009	4.5%	decrease

Expenses attributable to the natural gas operations, excluding cost of gas sold, amounted to $140 million in 2008-09, an increase of $4 million or 2.9% higher than the previous year. The increase was mainly attributable to a $3 million increase in operating and administrative costs primarily due to escalation for labour, fuel and materials as well as increased requirements for customer service programs. Finance expense decreased $2 million primarily due to lower interest rates. Depreciation and amortization increased $2 million largely due to increased spending on natural gas Power Smart programs and capital additions.

NATURAL GAS EXPENSES - For the year ended March 31

	2009	2008	% change
	millions of dollars		
Operating and administrative	59	56	5.4
Finance expense	20	22	(9.1)
Depreciation and amortization	25	23	8.7
Capital and other taxes	24	23	4.3
Corporate allocation	12	12	-
	140	136	2.9

NATURAL GAS EXPENSES
For the year ended March 31, 2009



■	Operating and administrative	42%
■	Depreciation and amortization	18%
▨	Capital and other taxes	17%
■	Finance expense	14%
□	Corporate allocation	9%

Centra purchased 880 million cubic metres of natural gas based on monthly Alberta indexed pricing and 284 million cubic metres under daily Alberta indexed pricing. Centra also delivered natural gas on behalf of brokers to 42 538 (2008 - 45 548) customers receiving natural gas under Direct Purchase arrangements.

Natural Gas Capital Expenditures
Capital expenditures in the natural gas sector were $32 million in 2008-09 compared to $28 million in the previous fiscal year. The capital expenditure program reflects the continuing growth in new business, system improvement and other expenditures to meet the needs of the existing customer base.

SUBSIDIARIES

In addition to Centra Gas, Manitoba Hydro has a number of wholly-owned subsidiaries involved in energy-related business enterprises for purposes of enhancing stakeholder service and value. The most significant operating subsidiaries are:

Manitoba Hydro International Ltd. (MHI) provides professional consulting, operations, maintenance, and project management services to energy sectors world-wide, either exclusively or through partnerships. MHI also provides research and development services and products to the electrical power system industry.

Manitoba Hydro Utility Services Ltd. (MHUS) provides meter reading and related services to Manitoba Hydro and other utilities.

The following table provides a summary of the financial results of the subsidiary companies excluding Centra Gas for 2008-09:

	MHI	MHUS	Other	Total
		thousands of dollars		
Revenues	19 895	5 745	837	26 477
Expenses	17 172	5 588	184	22 944
Net income	2 723	157	653	3 533

WUSKWATIM POWER LIMITED PARTNERSHIP

The **Wuskwatim Power Limited Partnership (WPLP)** was formed to carry on the business of developing, owning, and operating the Wuskwatim Generating Station and related works, excluding the transmission facilities but including all dams, dikes, channels, excavations, and roads. The WPLP has two limited partners, Manitoba Hydro and Taskinigahp Power Corporation (TPC) which is owned beneficially by Nisichawayasihk Cree Nation (NCN) and a General Partner which is a wholly-owned subsidiary of Manitoba Hydro. The Wuskwatim Generating Station is located at Taskinigahp Falls on the Burntwood River about 45 kilometers southwest of Thompson, Manitoba and is being constructed to meet a 2011 in-service date.

CORPORATE GOALS

Manitoba Hydro's Corporate Strategic Plan is built upon its vision "to be the best utility in North America with respect to safety, rates, reliability, customer satisfaction, and environmental leadership, and to always be considerate of the needs of customers, employees, and stakeholders." The Corporation has established the following goals in the pursuit of its Corporate vision:

Improve safety in the work environment
Safety is the most important goal and a critical component of the Corporation's activities. Manitoba Hydro is committed to continuously improving its safety performance and is currently focusing on strategies that will imbed a safety and health culture in all Corporate activities. Increased emphasis is also being placed on employee training to further improve safety performance.

Provide customers with exceptional value
Manitoba Hydro continues to provide exceptional value to customers through low rates, a safe and secure system, high reliability and superior service.

Be a leader in strengthening working relationships with Aboriginal peoples
Manitoba Hydro is one of the leading utilities in Canada with respect to Aboriginal representation in its workforce. The Corporation continues to place emphasis on building enduring working relationships with Aboriginal peoples through such measures as pre-employment training programs, purchasing and employment preferences, support for Aboriginal businesses, and recognition of cultural requirements in the workplace.

Improve Corporate financial strength
Further improving the financial strength of the Corporation will ensure that rates remain low, stable and predictable and will protect the Corporation and its customers from a variety of other risks. Considerable progress has been made in recent years in strengthening the capital structure of the Corporation and the outlook is favourable.

Maximize export power net revenues
The ability to sell surplus energy into export markets has contributed significantly to low domestic rates in Manitoba. It is projected that export revenues will continue to be a significant proportion of Corporate revenues.

Attract, develop and retain a highly motivated workforce that reflects the demographics of Manitoba
In addition to its leading performance in Aboriginal representation in the workforce, the Corporation has made significant progress in achieving employment equity targets for women, persons with disabilities, and visible minorities.

Be proactive in protecting the environment and the leading utility in promoting sustainable energy supply and service
Through careful management of new and existing facilities and infrastructure, Manitoba Hydro continues to operate in an environmentally appropriate manner. Manitoba Hydro is dedicated to upholding the principles of sustainable development and to protecting the environment from adverse impacts.

Be an outstanding corporate citizen
Manitoba Hydro and its employees continue to take leadership roles in community activities and programs throughout the province.

Proactively support agencies responsible for business development in Manitoba
The Corporation works with economic development agencies to maximize wealth and jobs in Manitoba and works with customers to reduce their energy costs and assist them to be competitive.

Be a national leader in implementing cost-effective energy conservation and emerging energy systems
Manitoba Hydro is recognized as a Canadian leader in promoting the wise and efficient use of energy through its Power Smart brand.

REPORT ON PERFORMANCE

Manitoba Hydro's performance in 2008-09 continued to improve in a number of aspects. While the consolidated net income of $298 million was $16 million below forecast, net income for 2008-09 was the third largest in the Corporation's history. As a result, the Corporation's retained earnings now exceed $2 billion, the debt to equity ratio target of 75:25 has been achieved and interest and capital coverage ratios remain strong. System reliability remained high, Aboriginal employment increased from last year, employee safety remained a high priority and all indicators for energy conservation were positive. The following measures are among those utilized by the Corporation in measuring its performance:

MEASURE		TARGET	2009 PERFORMANCE
Safety in the Work Environment	High-risk accidents	0	1
	Accident severity rate (per 200 000 hours worked)	<16	25.3
	Accident frequency rate (per 200 000 hours worked)	<0.8	1.3
Exceptional Value for Customers	Electricity rates	Lowest in North America	Lowest in North America
	Natural gas rates	Among the lowest in North America	Mid point in Canada
	Average electric customer outage time (minutes per year)	≤92	100.6
	Average electric customer outage frequency (outages per year)	≤1.3	1.4
	CEA Customer Service Index	Best in Canada	Best in Canada
Working Relationships with Aboriginal Peoples	% Aboriginal employment Corporate	15%	14.7%
	% Aboriginal employment Northern	43%	42.1%
Finance	Interest coverage	>1.20	1.58
	Capital coverage	>1.0	1.81
	Debt : Equity	75:25	75:25
Maximizing Export Revenues	Net export revenue as a % of total electric revenue 2008-09 (through 2016-17)	25%	24.8%
Diverse Work Force	Women	26%	24.6%
	Persons with disabilities	6%	5.2%
	Visible minorities	6%	5.2%
Protecting the Environment	Environmental component of CEA Customer Service Index	>8.5	8.2
	Net greenhouse gas emissions (6% below 1990 levels)	<0.52 megatonnes	0.35 megatonnes
Energy Conservation	Energy saved per year	2 695 GWh (by 2017-18)	1 550 GWh
	Capacity saved	848 MW (by 2017-18)	522 MW

RISK MANAGEMENT

Manitoba Hydro faces numerous risks in the fulfillment of its mandate and manages all identified risks through a systematic, proactive and integrated process designed to balance the following objectives:

- to identify threats that affect the achievement of the Corporation's mission and mandate;
- to mitigate the consequence of negative occurrences; and
- to take advantage of opportunities which provide benefits to all stakeholders.

All major risks are effectively controlled through risk management activities that include risk identification and assessment, risk monitoring, the establishment of risk tolerances and risk mitigation. The risks of each of the Corporation's subsidiaries are also managed within the same corporate risk management framework.

All identified risks are assessed for potential impact using financial, safety, reliability, environment or customer value criteria. All major risks are quantified within reasonable ranges of materiality. Manitoba Hydro's major risks have been quantified as follows:

RISK	POTENTIAL IMPACT
Infrastructure	Greater than $2.0 billion for a major facility long term outage
Drought	$2.2 billion net reduction in export revenue for a 5 year drought
Loss of export market	Up to 30% of electric revenues
Interest rates	Up to $115 million for a 1% change over a 10 year period
Foreign exchange rates	Up to $144 million for a $.10 US change over a 10 year period

The Corporation operates in a capital intensive industry where electricity and natural gas supply are considered necessities of life by our customers. As a result of this service importance Manitoba Hydro manages its infrastructure risks in a manner that makes the likelihood of a prolonged loss of supply as low as possible. The Corporation has an excellent history in this regard and should a service disruption occur, the utility has developed a Corporate Emergency Response Plan to ensure effective and coordinated response to possible emergencies or disasters. The Emergency Response Plan is tested annually through actual events or simulation ensuring that there is appropriate communication and coordination with other public authorities and emergency measure organizations.

The Corporation is embarking on a major capital expansion program which, subject to obtaining necessary approvals, will add several billions of dollars of investment and related debt to Manitoba Hydro's balance sheet over the next decade. As with all new major generation and transmission projects, there is risk associated with the potential for construction cost escalation, possible labour and technical skill shortages, and uncertain markets into which surplus energy will be sold.

ACCOUNTING CHANGES

Effective April 1, 2008, the Corporation adopted Canadian Institute of Chartered Accountants (CICA) Handbook Section 3031, Inventories. The new standard requires that inventory items which are used primarily for property, plant and equipment (PP&E) be recognized as PP&E rather than as inventory. The standard also stipulates which costs can be included in the cost of inventory in particular, storage and carrying charges. Adopting this standard resulted in $26 million of assets being reclassified from materials and supplies to PP&E and in an increase to operating and administrative expense of approximately $5 million per year.

Effective April 1, 2008, the Corporation adopted CICA Section 1535, Capital Disclosures, Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation. These standards provide disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the nature and extent of risks from financial instruments to which the Corporation is exposed and discloses information that enables users of financial statements to evaluate how an entity manages its capital structure.

STATUS OF TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

On February 13, 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS in place of Canadian generally accepted accounting principles (GAAP) for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011. The impact on the financial position and results of operations for Manitoba Hydro is not reasonably determinable at this time.

To facilitate the conversion process, Manitoba Hydro has assembled a project team, engaged an external advisor, and established a formal project governance structure with the formation of a Steering Committee consisting of an executive sponsor and senior levels of management from throughout the Corporation. Regular reporting is provided to the Audit Committee of the Manitoba Hydro-Electric Board.

Manitoba Hydro's project consists of four phases: initial assessment; detailed design; solution development; and implementation. The Corporation has completed an initial assessment of the differences between Canadian GAAP and IFRS and is currently focusing on the high impact accounting areas to identify options and make policy and related process recommendations for conversion. The assessment determined that the areas with the highest potential to impact Manitoba Hydro include accounting for property, plant & equipment, regulatory accounting, employee benefits, and the initial adoption of IFRS under IFRS 1, First-time adoption of International Financial Reporting Standards. In addition, the Corporation has begun the process of assessing the information system impacts of the IFRS conversion.

OUTLOOK

The favourable hydraulic generation conditions experienced in 2008-09 are expected to continue into 2009-10 as a result of above average water storage levels at the end of March 2009. However, the economic downturn will exert downward pressure on export prices and net income will be negatively affected until the economy begins to recover. At this time, Manitoba Hydro is projecting net income to be approximately $200 million for 2009-10.

Manitoba Hydro completed the final proposal evaluations in response to the release of the 300 MW Request for Proposal (RFP) for the purchase of wind powered electrical generation. On March 31, 2008, Manitoba Hydro announced that it is pursuing negotiations for wind development in the St. Joseph area. Negotiations are ongoing in an attempt to come to terms acceptable to the parties.

Pursuant to the Term Sheets Manitoba Hydro signed last fiscal year with Minnesota Power (MP) and Wisconsin Public Service (WPS), the parties continue to negotiate the definitive agreements and study the new major transmission facilities between Manitoba and the U.S. This new major transmission line would add to the capability and reliability of the regional power system, and provide an outlet for additional energy with the construction of new hydroelectric generation in northern Manitoba.

Manitoba Hydro is continuing with the planning for future generation projects, including the Conawapa and Keeyask hydraulic generating stations on the Nelson River. During the Summer of 2008, Manitoba Hydro and the four First Nations partners: Tataskweyak, War Lake, Fox Lake, and York Factory reached full agreement on all the terms and conditions in the Joint Keeyask Development Agreement whereby the four first nations can acquire an equity interest in the Keeyask Generating Station. Each of these communities also signed agreements related to anticipated impacts of the construction of Keeyask Generating Station.

A new north-south HVdc transmission line that is planned to run west of Lakes Winnipegosis and Manitoba will improve system reliability and enhance the flow of power from the northern Nelson River generating stations to the southern Manitoba system.

Construction of Manitoba Hydro's new office building on Portage Avenue in downtown Winnipeg is scheduled for completion for fall 2009 and is almost fully occupied. The new building is a world class energy-efficient structure and reflects global leadership in sustainability and green building design.

Manitoba Hydro's Power Smart initiative continues to grow with over thirty programs offered to residential, commercial and industrial customers in 2008-09. This highly successful initiative continues to encourage all customer sectors to use energy more efficiently in Manitoba. These efforts work towards making permanent shifts in the marketplace for long-term adoption of energy efficiency technologies and practices. The Power Smart initiative is expected to achieve projected electric energy and demand savings of 3 048 GWh/ year and 915 MW and natural gas savings of 186 million cubic metres by 2023-24. The overall Power Smart initiative is expected to reduce greenhouse gas emissions by over 2.4 million tonnes annually while providing Manitobans with lower energy bills from the installation of energy savings measures and the continued sale of the conserved hydraulic energy on the export market.

MANAGEMENT REPORT

For the year ended March 31, 2009

The accompanying consolidated financial statements and all additional information contained in the Annual Report are the responsibility of management and have been approved by the Manitoba Hydro-Electric Board. The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada, applied on a basis consistent with that of the preceding year. In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available up to June 9, 2009. The financial information presented elsewhere in the Annual Report is consistent with that in the consolidated financial statements.

Management maintains internal controls to provide reasonable assurance that the assets of the Corporation are properly safeguarded and that the financial information is reliable, timely, and accurate. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its finding to management and to the Audit Committee of the Board.

The responsibility of the external auditors, Ernst & Young LLP, is to express an independent, professional opinion on whether the consolidated financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of their examination and their opinion.

The Audit Committee of the Board is comprised of five members, the majority of whom are members of the Manitoba Hydro-Electric Board. The Audit Committee of the Board meets with the external auditors, representatives of the Auditor General's Office, the internal auditors and management to satisfy itself that each group has properly discharged its respective responsibility and to review the consolidated financial statements before recommending approval by the Board. The internal and external auditors have full and unrestricted access to the Audit Committee, with or without the presence of management. The Board reviews the Annual Report in advance of its release and approves its content and authorizes its publication.

On behalf of management:

R. B. Brennan, FCA
President and Chief Executive Officer

Vince Warden

V. A. Warden, CMA, FCMA
Senior Vice-President,
Finance & Administration and Chief Financial Officer

Winnipeg, Canada
June 9, 2009

Auditors' Report

TO THE BOARD OF DIRECTORS OF
MANITOBA HYDRO-ELECTRIC BOARD

We have audited the consolidated balance sheet of Manitoba Hydro-Electric Board as at March 31, 2009 and the consolidated statements of income, comprehensive income, accumulated other comprehensive income, retained earnings and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants

Winnipeg, Canada
May 29, 2009

CONSOLIDATED STATEMENT OF INCOME

For the year ended March 31

		Notes	2009	2008
			millions of dollars	
Revenues				
Electric	Manitoba		1 161	1 098
	Extraprovincial	3	623	625
Gas	Commodity		431	386
	Distribution		149	141
			2 364	2 250
Cost of gas sold			431	386
			1 933	1 864
Expenses				
Operating and administrative			436	391
Finance expense		4	439	440
Depreciation and amortization			374	349
Water rentals and assessments		5	123	124
Fuel and power purchased			176	134
Capital and other taxes			87	80
			1 635	1 518
Net Income			298	346

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the year ended March 31

	2009	2008
	millions of dollars	
Retained earnings, beginning of year	1 822	1 476
Net income	298	346
Retained earnings, end of year	2 120	1 822

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

As at March 31

	Notes	2009	2008
		millions of dollars	
Assets			
Property, Plant and Equipment			
In service	6	12 514	11 884
Less accumulated depreciation	6	4 443	4 187
		8 071	7 697
Construction in progress	6	1 449	1 238
		9 520	8 935
Current Assets			
Cash and cash equivalents		170	133
Accounts receivable and accrued revenue		434	464
Interest receivable		6	10
Materials and supplies, at average cost	7	82	78
		692	685
Other Assets			
Sinking fund investments	8	666	718
Pension assets	9	623	781
Deferred charges	10	732	539
Goodwill		108	108
		2 129	2 146
		12 341	11 766

Approved on behalf of the Board:

Victor H. Schroeder, QC
Chair of the Board

William Fraser, FCA
Chair of the Audit Committee

	Notes	2009	2008
		millions of dollars	
Liabilities and Equity			
Long-Term Debt			
Long-term debt net of sinking fund investments		6 995	6 500
Sinking fund investments shown as assets	8	666	718
	11	7 661	7 218
Current Liabilities			
Accounts payable and accrued liabilities	12	341	339
Notes payable	13	100	-
Accrued interest		99	106
Current portion of long-term debt	11	519	353
		1 059	798
Other Liabilities			
Deferred liabilities and credits	14	426	387
Pension obligation	9	730	714
Asset purchase obligation	15	218	222
		1 374	1 323
Contributions in Aid of Construction		296	300
Equity			
Retained earnings		2 120	1 822
Accumulated other comprehensive income (loss)		(169)	305
		1 951	2 127
		12 341	11 766

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31

	2009	2008
	millions of dollars	
Operating Activities		
Cash receipts from customers	2 422	2 206
Cash paid to suppliers and employees	(1 230)	(1 046)
Interest paid	(526)	(560)
Interest received	35	33
Cash provided by operating activities	701	633
Financing Activities		
Proceeds from long-term debt	423	981
Sinking fund withdrawals	261	-
Retirement of long-term debt	(366)	(311)
Notes payable	100	(148)
Other	7	(35)
Cash provided by financing activities	425	487
Investing Activities		
Property, plant and equipment, net of contributions	(920)	(830)
Sinking fund payment	(124)	(96)
Other	(45)	(62)
Cash used for investing activities	(1 089)	(988)
Net increase in cash and cash equivalents	37	132
Cash and cash equivalents, beginning of year	133	1
Cash and cash equivalents, end of year	170	133

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended March 31

	2009	2008
	millions of dollars	
Net income	298	346
Other comprehensive income		
Unrealized foreign exchange gains (losses) on debt in cash flow hedges	(439)	229
Realized foreign exchange gains on debt in cash flow hedges reclassified to income	(11)	(52)
Unrealized fair value gains (losses) on available-for-sale U.S. sinking fund investments	(24)	20
	(474)	197
Comprehensive income (loss)	(176)	543

CONSOLIDATED STATEMENT OF ACCUMULATED OTHER COMPREHENSIVE INCOME

For the year ended March 31

	2009	2008
	millions of dollars	
Balance, beginning of year	305	108
Other comprehensive income (loss)	(474)	197
Balance, end of year	(169)	305

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Consolidation - The consolidated financial statements include the financial statements of the Corporation and its subsidiaries. For purposes of consolidation, all significant intercompany accounts and transactions have been eliminated.

Rate Regulated Accounting - The prices charged for the sale of electricity and natural gas within Manitoba are subject to review and approval by the Public Utilities Board of Manitoba (PUB). The rate-setting process is designed such that rates charged to electricity and natural gas customers recover costs incurred by Manitoba Hydro in providing electricity and gas service. Accordingly, Manitoba Hydro applies various accounting policies that differ from enterprises that do not operate in a rate-regulated environment. Such accounting policies allow for the deferral of certain costs or credits which will be recovered or refunded in future rates. These costs or credits would otherwise have been included in the determination of net income in the year that the cost or credit is incurred. Manitoba Hydro refers to such deferred costs or credits as regulated assets or regulated liabilities which are generally comprised of the following:

- Deferred taxes - Taxes paid by Centra Gas (July 1999) as a result of its change to non-taxable status on acquisition by Manitoba Hydro, have been deferred and are being amortized on a straight-line basis over a period of 30 years.
- Acquisition costs - Costs associated with the acquisition of Centra Gas (July 1999) and Winnipeg Hydro (September 2002) have been deferred and are being amortized on a straight-line basis over a period of 30 years.
- Site restoration costs - Site restoration costs, other than those for which an Asset Retirement Obligation (ARO) has been established, are recorded as a deferred expense and are amortized on a straight-line basis over 15 years.
- Purchased gas variance accounts (PGVA) - Accounts are maintained to recover/ refund differences between the actual cost of gas and the cost of gas incorporated into rates charged to customers as approved by the PUB. The difference between the recorded cost of natural gas and the actual cost of natural gas is carried as an account receivable/ payable, and recovered or refunded in future rates.
- Gas Power Smart programs - The costs of the Corporation's energy conservation programs for its natural gas operations are deferred and amortized on a straight-line basis over a period of 5 years.

Manitoba Hydro's other significant accounting policies are as follows:

a) **Property, Plant and Equipment**
Property, plant and equipment is stated at cost which includes direct labour, materials, contracted services, a proportionate share of overhead costs and interest applied at the average cost of debt. Finance expense is allocated to construction until a capital project becomes operational or a decision is made to abandon, cancel or indefinitely defer construction. Once the transfer to in-service property, plant and equipment is made, finance expense allocated to construction ceases, and depreciation and finance expense charged to operations commences.

b) **Depreciation**
Depreciation is provided on a straight-line remaining-life basis. The major components of generating stations are depreciated over the lesser of the remaining life of the major component or the remaining life of the associated generating station.

The range of estimated service lives of each major asset category is as follows:

Generation	- Hydraulic	45 - 100 years
	- Thermal	25 - 65 years
Transmission	- Lines	40 - 85 years
	- Stations	20 - 57 years
Distribution		15 - 65 years

Provision for removal costs of major property, plant and equipment is charged to depreciation expense on a straight-line basis over the remaining service lives of the related assets. Retirements of these assets, including costs of removal, are charged to accumulated depreciation with no gains or losses reflected in operations. The estimated service lives and removal costs of the assets are based upon depreciation studies conducted periodically by the Corporation.

c) **Asset Retirement Obligations**
Asset retirement obligations are measured initially at fair value in the period in which the obligations are incurred, provided that a reasonable estimate of the fair value can be made. The present value of the estimated retirement cost is added to the carrying amount of the related asset. In subsequent periods, the estimated retirement cost is amortized over the useful life of the asset and the carrying value of the liability is increased to recognize increases in the liability's present value with the passage of time.

d) **Materials and Supplies**
Materials and supplies are valued at the lower of average cost or net realizable value.

e) **Contributions in Aid of Construction**
Contributions are required from customers whenever the costs of extending service exceed specified construction allowances. Contributions are amortized on a straight-line basis over the estimated service lives of the related assets.

f) **Planning Studies**
The costs of planning studies related to uncommitted major generation or transmission facilities are deferred and amortized on a straight-line basis over 15 years. If there is reasonable assurance that a project will proceed to construction, any unamortized balance related to that project is transferred to construction in progress.

g) **Electric Power Smart Programs**
The costs of the Corporation's electric energy conservation programs, referred to as Power Smart, are deferred and amortized on a straight-line basis over a period of 10 years.

h) **Revenues**
Customers' meters are read and billed on a cyclical basis. Revenues are accrued in respect of energy delivered for those cycles not yet billed.

i) **Cost of Gas Sold**
Cost of natural gas sold is recorded at the same rates charged to customers.

j) **Employee Future Benefits**
Manitoba Hydro provides employee future benefits, including pension and other post-retirement benefits, to both existing and retired employees. Pension plans include the Civil Service Superannuation Board (CSSB) plan, three Centra Gas curtailed pension plans, and the Winnipeg Civic Employee Benefits Program (WCEBP).

The costs and obligations of pension and other post-retirement benefits are calculated by an independent actuary using the accrued benefit actuarial cost method and reflect management's best estimate of future compensation increases, service lives and inflation rates. Pension expense is comprised of the cost of pension benefits provided during the year, the amortization of past service benefits, experience gains and losses, and expected returns on fund assets net of interest on the obligation. Expected returns on fund assets are calculated using market related values based on a five year moving average. The unamortized present value of past service benefits and actuarially determined experience gains or losses are recognized in the financial statements as deferred assets or credits.

The Corporation utilizes the "corridor method" of amortizing actuarial gains and losses. The amortization of experience gains and losses is recognized only to the extent that the cumulative unamortized net actuarial gain or loss exceeds 10% of the greater of the accrued benefit obligation and the fair market value of plan assets at the beginning of the year. When required, the excess of the cumulative gain or loss balance is amortized over the expected average remaining service life of the employees covered by the plan.

Pension and long-term disability expenses pertaining to the former Winnipeg Hydro employees are recognized at the time contributions are made to the WCEBP which maintains the funds and obligations relating to these employees in its financial records.

Other employee benefits earned by employees include vacation, vested sick leave, severance and a retirement health spending plan. Where applicable, the future costs of these benefits are based on management's best estimates.

k) **Comprehensive Income**

Comprehensive income consists of net income and other comprehensive income (OCI). OCI includes unrealized gains and losses arising from changes in the fair value of available-for-sale assets, changes in the fair value of derivatives designated in a hedging relationship, and changes in the foreign exchange rate for U.S. denominated long-term debt in effective cash flow hedging relationships. Such amounts are recorded in accumulated OCI (AOCI) until the criteria for recognition in net income are met.

l) **Financial Instruments**

All financial instruments are measured at fair value on initial recognition as of the trade date. Transaction costs are included in the initial carrying amount of financial instruments. Measurement in subsequent periods depends on the classification of the instrument. Financial instruments are classified into one of the following five categories: held-to-maturity investments, loans and receivables, held-for-trading, available-for-sale, or other financial liabilities.

Financial instruments classified as loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost using the effective interest method of amortization. Available-for-sale financial assets are measured at fair value with revaluation gains and losses recorded in OCI until the instrument is derecognized or impaired. Translation gains and losses on available-for-sale financial assets in a hedging relationship with financial liabilities are credited or charged to finance expense. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in income in the period in which they arise.

m) **Foreign Currency Translation**

Revenues and expenditures resulting from transactions in foreign currencies are translated into Canadian dollar equivalents at exchange rates in effect at the transaction dates.

Long-term monetary assets and liabilities denominated in U.S. currencies are translated into Canadian currency at the exchange rate prevailing at the balance sheet date. Translation gains and losses are credited or charged to finance expense in the current period except for long-term debt obligations in hedging relationships with future export revenues. Translation gains and losses for long-term debt obligations in hedging relationships with future export revenues are recorded in OCI until such time that the hedged export revenues are realized, at which time accumulated exchange gains and losses are credited or charged to finance expense.

Current monetary assets and liabilities denominated in foreign currencies are translated into Canadian currency at the exchange rate prevailing at the balance sheet date. Any exchange gains and losses on the translation of current monetary assets and liabilities are credited or charged to finance expense in the current period.

n) **Derivatives**
The Corporation does not engage in derivative trading or speculative activities. All derivative instruments are carried at fair value on the consolidated balance sheet with the exception of those that were entered into for the purpose of physical receipt or delivery in accordance with the Corporation's expected normal purchases and sales. Changes in the fair value of derivatives that are not designated in a hedging relationship and do not qualify for the normal purchase and sale exemption are recorded in net income.

o) **Hedges**
The Corporation has designated cash flow and fair value hedges linking financial instruments to specific assets and forecasted transactions. The Corporation documents the relationship between the hedging instrument and the hedged item and assesses at inception, and on an ongoing basis, the effectiveness of the hedging relationship.

p) **Debt Discounts and Premiums**
Debt discounts and premiums are amortized to finance expense using the effective interest method.

q) **Cash and Cash Equivalents**
Cash and cash equivalents include cash on hand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

r) **Goodwill**
Goodwill represents the amount of the Corporation's investments in Centra Gas and Winnipeg Hydro over and above the fair market value of the identified net assets acquired. The goodwill balance is evaluated annually to determine whether any impairment has occurred. An impairment would be recognized if it was determined that the carrying value of the Corporation's investments in Centra Gas or Winnipeg Hydro exceeded the present value of the future cash flows from these investments. Should impairment occur, it would be recorded as a charge against operations in the year of impairment.

s) **Use of Estimates**
The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual amounts could differ from those estimates, but differences are not expected to be material.

NOTE 2 ACCOUNTING CHANGES

Financial Instruments - Disclosure and Presentation

Effective April 1, 2008, the Corporation adopted Canadian Institute of Chartered Accountants (CICA) Handbook Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation. These sections replace Section 3861, Financial Instruments – Disclosure and Presentation and require disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the nature and extent of risks from financial instruments to which the Corporation is exposed. These additional disclosures are provided in Note 16.

Capital Disclosures

Effective April 1, 2008, the Corporation adopted CICA Section 1535, Capital Disclosures. The section establishes standards for disclosing information that enables users of financial statements to evaluate how an entity manages its capital structure (i.e. debt and equity), its objectives, policy and processes for managing capital. These disclosures are provided in Note 17.

Materials and Supplies (Inventories)

Effective April 1, 2008, the Corporation adopted CICA Section 3031, Inventories. The new standard requires that inventory items which are used primarily for property, plant and equipment (PP&E) be recognized as PP&E rather than as inventory. In addition, the new standard stipulates which costs can be included in the cost of inventory in particular as it applies to storage and carrying charges. Adopting this standard resulted in $26 million of assets being reclassified from materials and supplies to PP&E (2008 – $23 million).

Future Accounting Changes

Goodwill and Intangible Assets

Effective April 1, 2009, the Corporation will be adopting the new CICA Section 3064, Goodwill and Intangible Assets which provides more comprehensive guidance on intangible assets, particularly for the costing of internally developed intangible assets. The impact of this new standard on Manitoba Hydro's financial statements is currently being assessed.

Regulated Activities

For year ends beginning on or after January 1, 2009, the temporary exemption provided in CICA Section 1100, Generally Accepted Accounting Principles (GAAP), which allows the recognition and measurement of regulatory assets and liabilities, was withdrawn. Pursuant to a practice allowed by Canadian GAAP, the Corporation will, however, rely on Statement of Financial Accounting Standard No. 71, Accounting for the Effects of Certain Types of Regulation, issued by the U.S. Financial Accounting Standards Board, to maintain the current accounting treatment for regulatory assets and liabilities. Consequently, the withdrawal of the exemption should not have any impact on the consolidated financial statements.

International Financial Reporting Standards (IFRS)

The CICA's Accounting Standards Board announced that Canadian publicly accountable enterprises will adopt IFRS as issued by the International Accounting Standards Board effective for fiscal years beginning on or after January 1, 2011. The transition date for Manitoba Hydro of April 1, 2011 will require the restatement, for comparative purposes, of the April 1, 2010 balance sheet and of the amounts reported by the Corporation for its year ended March 31, 2011. Although IFRS uses a conceptual framework similar to Canadian GAAP, differences in accounting standards are expected. Manitoba Hydro is currently assessing the impact of those differences.

NOTE 3 EXTRAPROVINCIAL REVENUES

	2009	2008
	millions of dollars	
United States	491	515
Canada	132	110
	623	625

U.S. extraprovincial revenues were translated at exchange rates in effect at the date of the transaction. The average effective exchange rate for the year was $1.00 U.S. = $1.10 Canadian (2008 - $1.00 U.S. = $1.03 Canadian).

NOTE 4 FINANCE EXPENSE

	2009	2008
	millions of dollars	
Interest on debt	544	587
Interest capitalized	(56)	(51)
Amortization of premiums and discounts	(11)	(11)
Investment income	(27)	(33)
Realized foreign exchange gains on debt in cash flow hedges	(11)	(52)
	439	440

Included in interest on debt is $74 million (2008 - $73 million) related to the Provincial Debt Guarantee Fee. The fee during the year was 1.0% of the total outstanding debt guaranteed by the Province of Manitoba (2008 – 1.0%).

NOTE 5 WATER RENTALS AND ASSESSMENTS

	2009	2008
	millions of dollars	
Water rentals	115	117
Assessments	8	7
	123	124

Water rentals are paid to the Province of Manitoba for the use of water resources in the operation of the Corporation's hydroelectric generating stations. Water rental rates during the year were $3.34 per MWh (2008 - $3.34 per MWh).

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

	2009			2008		
			millions of dollars			
	In Service	Accumulated Depreciation	Construction in Progress	In Service	Accumulated Depreciation	Construction in Progress
Generation						
Hydraulic	4 626	1 484	1 084	4 523	1 413	793
Thermal	519	262	4	511	242	6
Transmission Lines	805	265	145	799	251	88
Substations	2 308	1 023	121	2 268	969	68
Distribution	2 870	1 006	44	2 701	932	42
Other	1 386	403	51	1 082	380	241
	12 514	4 443	1 449	11 884	4 187	1 238

NOTE 7 MATERIALS AND SUPPLIES

	2009	2008
	millions of dollars	
Materials and supplies	67	62
Natural gas inventory	15	16
	82	78

NOTE 8 SINKING FUND INVESTMENTS

Manitoba Hydro is legislated under the Manitoba Hydro Act to make annual sinking fund contributions to the Province of Manitoba of not less than 1% of the principal amount of the outstanding debt on the preceding March 31, and 4% of the balance in the sinking fund at such date. Contributions to the sinking fund during the year were $124 million (2008 - $96 million). Income earned on sinking fund investments is included with investment income for the year.

Sinking funds are invested in government bonds and the bonds of highly rated corporations and financial institutions.

	2009	2008
	millions of dollars	
U.S. investments	643	700
Premium on purchase of sinking fund investments	23	18
	666	718

U.S. investments have a weighted average term to maturity of 3.1 years (2008 - 2.1 years) and an effective yield to maturity of 3.8% (2008 – 4.9%). U.S. investments are translated into Canadian currency at the exchange rate prevailing at the balance sheet date, $1.00 U.S. = $1.26 Canadian (2008 - $1.00 U.S. = $1.03 Canadian). The March 31 balance includes $12 million (2008 - $36 million) of unrealized fair value gains.

NOTE 9 PENSION ASSETS AND OBLIGATION

Manitoba Hydro employees are eligible for pensions under the Civil Service Superannuation Board (CSSB) defined benefit plan that provides pension benefits based on years of service and on the average earnings of the 5 best years. The CSSB plan requires the Corporation to contribute approximately 50% of the pension disbursements made to retired employees. In addition, the former employees of Centra Gas are entitled to pension benefits earned under the Centra Gas curtailed pension plans. The former Winnipeg Hydro employees continue to earn benefits under the Winnipeg Civic Employee Benefits Program (WCEBP) in which, upon the acquisition of Winnipeg Hydro, Manitoba Hydro became a participating employer. The WCEBP is also a defined benefit plan that provides pension benefits based on years of service and on the average earnings of the 5 best years.

The CSSB manages the Corporation's pension fund (MH Pension Fund) on behalf of the Corporation. The assets related to the Centra Gas curtailed pension plans are held in trust by State Street Trust Co. of Canada and are not reflected on Manitoba Hydro's balance sheet. Similarly, the assets and liabilities of the WCEBP are not reflected on Manitoba Hydro's balance sheet.

The following tables present information concerning the MH Pension Fund and the Centra Gas curtailed pension plans:

	MH Pension Fund		Centra Gas curtailed pension plans	
	2009	2008	2009	2008
		millions of dollars		
Plan Assets at Fair Value				
Balance at beginning of year	781	800	72	75
Actual return (loss) on plan assets	(126)	(5)	(13)	(1)
Employer contributions	-	-	4	3
Benefit payments and refunds	(32)	(14)	(6)	(5)
	623	781	57	72
Accrued Benefit Obligation				
Balance at beginning of year	714	663	81	78
Interest on obligation	46	43	6	5
Current service cost	22	19	-	-
Benefit payments and refunds	(32)	(30)	(6)	(5)
Actuarial losses (gains)	(20)	19	-	3
	730	714	81	81
Surplus (deficit) at end of year	(107)	67	(24)	(9)

Pension assets are valued at market rates and are invested as follows:

	MH Pension Fund Fair Value		Centra Gas curtailed pension plans Fair Value	
	2009	2008	2009	2008
		millions of dollars		
Equities	308	436	31	44
Bonds and debentures	226	247	22	24
Real estate	85	84	2	3
Short-term investments	4	14	2	1
	623	781	57	72

The return on pension fund assets for the MH Pension Fund was negative 16.3% (2008 - negative 0.6%). The return for the Centra Gas curtailed plan fund assets was negative 18.1% (2008 - negative 1.7%).

The weighted average term to maturity on fixed income investments is 8.0 years (2008 – 8.2 years).

The most recent actuarial valuations for the Corporation's obligations under the CSSB and Centra Gas curtailed pension plans were performed with respect to the liabilities outstanding as at December 31, 2008. These valuations incorporated management's best estimate assumptions and took into consideration the long-term nature of the pension plans. The next actuarial valuations for all plans will occur in December 2009.

The Centra Gas curtailed pension plans are also subject to a solvency valuation for funding purposes with the latest valuation taking place as at December 31, 2008.

The significant actuarial assumptions adopted in measuring the Corporation's pension and other employee benefit obligations are as follows:

	2009	2008
Discount rate	6.5%	6.5%
Expected long-term rate of return on plan assets	7.5%	7.5%
Rate of compensation increase, including merit and promotions	1.5 - 2.0%	1.5 - 2.0%
Expected average remaining service life of employees- MH Pensions	14 years	14 years
Expected average remaining service life of employees- Centra Pensions	10 years	14 years
Long-term inflation rate	2.5%	2.5%

The Corporation's pension expense related to each of the pension benefit plans is as follows:

	CSSB Plan		Centra Gas curtailed pension plans	
	2009	2008	2009	2008
	millions of dollars			
Current service cost	22	19	-	-
Administrative fees	2	2	-	-
Canada Pension Plan	13	12	-	-
Interest on obligation	46	43	5	5
Expected return on plan assets	(54)	(50)	(5)	(5)
Amortization of net experience loss	2	3	1	1
Amortization of transitional gain	(1)	(1)	-	-
	30	28	1	1

Pension expense for the former Winnipeg Hydro employees is equal to employer contributions to the WCEBP in addition to employer remittances to the Canada Pension Plan. Total contributions to the WCEBP during the year amounted to $0.2 million (2008 - $0.2 million) and reflect an employer contribution rate approximating 0.6% of pensionable earnings to January 7, 2009 and 1.3% of pensionable earnings thereafter.

NOTE 10 DEFERRED CHARGES

	2009	2008
	millions of dollars	
Employee future benefits	261	103
Power Smart programs - electric	164	149
Contract receivables	78	69
Advances to TPC (Note 21)	35	25
Affordable Energy Fund (Note 20)	33	34
Planning studies	25	25
Regulated assets		
Site restoration costs	40	42
Deferred taxes	36	38
Power Smart programs - gas	27	19
Acquisition costs	24	24
Other	9	11
	732	539

If the Corporation were not subject to rate regulation, the costs associated with the regulated assets would be charged to operations in the period that they were incurred and net income for 2009 would have been reduced by $3 million (2008 - $8 million).

In total, deferred charges of $44 million (2008 - $33 million) were amortized to operations during the period.

NOTE 11 LONG-TERM DEBT

During the year, the Corporation arranged long-term financing of $423 million (2008 - $981 million). The current year financing was in the form of Provincial advances with floating interest rates.

	2009	2008
	millions of dollars	
Advances from the Province of Manitoba represented by debenture debt of the Province	7 836	7 142
Manitoba HydroBonds	165	213
Manitoba Hydro-Electric Board Bonds	216	244
	8 217	7 599
Less: Current portion of long-term debt	519	353
	7 698	7 246
Debt discounts and premiums	(11)	1
Transaction costs	(26)	(29)
	7 661	7 218

Included in the current portion of long-term debt are $498 million (2008 - $284 million) of debt maturities, and $21 million (2008 - $69 million) of floating-rate Manitoba HydroBonds with maturity dates in 2011 and 2012. Floating rate Manitoba HydroBonds are redeemable at the option of the holder.

Long-term debt is guaranteed by the Province of Manitoba, with the exception of Manitoba Hydro-Electric Board Bonds in the amount of $77 million (2008 - $104 million) issued for mitigation projects.

Debt principal amounts (excluding transaction costs, debt discounts and premiums) and related yields are summarized by fiscal years of maturity in the following table:

					2009	2008
			millions of Canadian dollars			
Years of Maturity	Canadian	Cdn Yields	U.S.	U.S. Yields	Total	Total
2010	208	5.2%	311	5.6%	519	441
2011	90	4.9%	252	3.3%	342	297
2012	16	4.7%	-	-	16	16
2013	78	5.3%	-	-	78	78
2014	475	5.0%	427	7.1%	902	823
	867	5.0%	990	6.3%	1 857	1 655
2015-2019	1 409	6.8%	504	9.7%	1 913	1 823
2020-2024	154	4.6%	1 512	6.9%	1 666	1 387
2025-2029	360	7.3%	-	-	360	360
2030-2034	889	9.3%	-	-	889	889
2035-2039	1 425	4.8%	-	-	1 425	1 025
2040-2057	107	4.9%	-	-	107	107
	5 211	6.3%	3 006	7.4%	8 217	7 246

U.S. debt is translated into Canadian currency at the exchange rate prevailing at the balance sheet date, $1.00 U.S. = $1.26 Canadian (2008 - $1.00 U.S. = $1.03 Canadian).

NOTE 12 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2009	2008
	millions of dollars	
Accounts payable	330	338
Regulated liabilities		
Purchased gas variance accounts	11	1
	341	339

The Corporation passes all costs related to the purchase and transportation of natural gas onto its customers without markup. If the Corporation were not subject to rate regulation, the purchased gas variance accounts would not be maintained and the actual cost of gas would be expensed in the period incurred. If actual gas costs were expensed and sales rates were not adjusted accordingly, net income would have increased by $10 million (2008 - decreased by $8 million).

NOTE 13 NOTES PAYABLE

	2009	2008
	millions of dollars	
Canadian notes	100	-
	100	-

Notes payable at March 31, 2009 had a weighted average term to maturity of 12 days at a weighted average rate of 0.33%. The Corporation has bank credit facilities that provide for overdrafts and notes payable up to an amount of $500 million denominated in Canadian and/or U.S. currency.

NOTE 14 DEFERRED LIABILITIES AND CREDITS

	2009	2008
	millions of dollars	
Employee future benefits, excluding pensions	144	136
Mitigation liability (Note 19)	120	127
Refundable advances from customers	49	38
Non-controlling interest (Note 21)	39	24
Asset retirement obligations	37	24
Affordable Energy Fund (Note 20)	33	34
Interest income and other credits	4	4
	426	387

Asset retirement obligations have been recognized for the future decommissioning of the Corporation's two thermal generating stations, a hydraulic generating station, and for the removal and disposal of polychlorinated biphenyl contaminated fluid in HVDC converter station capacitors. The Corporation estimates the undiscounted cash flows required to settle the asset retirement obligations are approximately $76 million, $8 million of which will be incurred between March 31, 2009 and March 31, 2011 for polychlorinated biphenyl contaminated oil removal and disposal; $19 million is expected to be incurred by March 2018 as part of decommissioning the hydro electric generating station; and the balance of $49 million is expected to be incurred in 2024 as part of the decommissioning of Manitoba Hydro's two thermal generating stations. No funds are being set aside to settle the asset retirement obligations.

NOTE 15 ASSET PURCHASE OBLIGATION

Effective September 3, 2002, the Corporation acquired the net assets of Winnipeg Hydro from the City of Winnipeg. The Asset Purchase Obligation represents the net present value of payments to the City of Winnipeg of $20 million per annum in fiscal years 2009 to 2011, and $16 million per annum in fiscal year 2012 and each year thereafter in perpetuity.

NOTE 16 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The carrying amount and fair values of the Corporation's non-derivative financial instruments at March 31 are as follows:

	2009		2008	
Financial instruments	Carrying Value	Fair Value	Carrying Value	Fair Value
		millions of dollars		
Held-for-Trading				
Cash and cash equivalents	170	170	133	133
Loans and Receivables				
Accounts receivable and accrued revenue	434	434	464	464
Interest receivable	6	6	10	10
Available for Sale				
Sinking fund investments	666	666	718	718
Other Financial Liabilities				
Long-term debt (including current portion)	8 180	9 513	7 571	9 189
Accounts payable and accrued liabilities	341	341	339	339
Notes payable	100	100	-	-
Accrued interest	99	99	106	106
Asset purchase obligation	218	272	222	288

The estimated fair values of the Corporation's long-term debt, sinking fund investments and asset purchase obligation are based on market yields at close of business on the balance sheet date for similar instruments available in capital markets. The carrying values of all other financial assets and liabilities approximate fair value.

Financial Risks

During the normal course of business, Manitoba Hydro is exposed to a number of financial risks including credit and liquidity risks, and market risks resulting from fluctuations in foreign currency, interest rates and commodity prices. Risk management policies, processes and systems have been established to identify and analyze financial risks faced by the Corporation and its subsidiaries, to set risk tolerance limits, establish controls and to monitor risk and adherence to policies. An integrated risk management plan has been developed, and reviewed by the Audit Committee of the Board, to ensure the adequacy of the risk management framework in relation to the risks faced by the Corporation. The nature of the financial risks and Manitoba Hydro's strategy for managing these risks has not changed significantly from the prior year.

a) **Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Manitoba Hydro is exposed to credit risk related to sinking fund investments, short-term investments, and pension fund investments. The Corporation limits its exposure to credit risk by only investing in government-guaranteed bonds, highly rated investments and well diversified investment portfolios.

The Corporation is also exposed to credit risk related to accounts receivable arising from domestic and export energy sales. Credit risk related to domestic sales is mitigated by the large and diversified electric and gas customer base. Credit risk in the export market is mitigated by establishing minimum credit rating requirements, conducting standard credit reviews of all counterparties, and setting and monitoring exposure limits for each of these counterparties. Letters of credit and netting provisions are also in place to provide further credit risk control. The maximum exposure to credit risk related to non-derivative financial assets is its carrying value.

The value of the Corporation's aged accounts receivable for domestic and export customers, and related bad debt provisions are presented in the following table:

	Domestic	Extraprovincial	2009 Total
		millions of dollars	
Under 30 days	275	29	304
30 to 60 days	37	4	41
61 to 90 days	38	-	38
Over 90 days	16	-	16
	366	33	399
Provision at end of period	(8)	-	(8)
Total accounts receivable	358	33	391

The provision for bad and doubtful accounts is reviewed annually, based on an estimate of aged domestic and export receivables that are considered uncollectible. The provision of $8 million for bad and doubtful accounts did not increase significantly from the previous year.

To mitigate credit risk related to the use of derivative instruments, the Corporation adheres to well established credit exposure limits with institutions that possess a minimum credit rating of 'A' from recognized bond rating agencies or provide a parental guarantee from an 'A' rated parent company. The Corporation's maximum exposure to credit risk related to its derivative counterparties is equal to the positive fair value of its financial derivatives.

b) **Liquidity Risk**

Liquidity risk refers to the risk that Manitoba Hydro will not be able to meet its financial obligations as they come due. To meet the Corporation's forecasted cash requirements, the Corporation uses cash generated from operations, a short-term borrowing program, long-term borrowings advanced from the Province of Manitoba, and sinking funds for debt retirements.

The following is an analysis of the contractual undiscounted cash flows payable under financial liabilities and derivative liabilities as at the balance sheet date:

	Carrying Value	2010	2011	2012	2013	2014	2015 and thereafter
				millions of dollars			
Non-derivative financial liabilities							
Accounts payable and accrued liabilities	341	341	-	-	-	-	-
Notes payable	100	100	-	-	-	-	-
Asset purchase obligation	218	20	20	16	16	16	16*
Long-term debt**	8 279	1 117	925	587	647	1 449	11 957
		1 578	945	603	663	1 465	11 973
Derivative financial liabilities							
Foreign exchange forward obligations	(12)	61	-	-	-	-	-
Commodity derivatives							
Natural gas collar obligations	-	64	-	-	-	-	-
		125	-	-	-	-	-
		1 703	945	603	663	1 465	11 973

* per year in perpetuity

** including current portion and interest payments

c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Manitoba Hydro is exposed to three types of market risk: currency risk, interest rate risk, and commodity price risks associated with the price of electricity and natural gas. Manitoba Hydro continually monitors it's exposure to these risks and may use hedges or derivative contracts to manage these risks.

i. Foreign Exchange Risk

Manitoba Hydro has exposure to U.S. dollar foreign exchange rate fluctuations primarily through the sale and purchase of electricity in the U.S. This exposure is managed through a long-term natural hedge between U.S. dollar cash inflows from export revenues and U.S. dollar cash outflows for long-term coupon and principal payments.

To mitigate annual net income impacts due to foreign exchange rate fluctuations, a long-term cash flow hedge has been established between the U.S. long-term debt balances and future U.S. export revenues. Accordingly, translation gains and losses for U.S. long-term debt obligations in effective hedging relationships with future export revenues, are recognized in other comprehensive income until future hedged U.S. export revenues are realized, at which time the associated gains or losses in accumulated other comprehensive income are recognized in net income. For the year ended March 31, 2009, foreign exchange translation losses of $446 million were recognized in other comprehensive income and net gains of $11 million were reclassified from other comprehensive income into net income.

Manitoba Hydro also has a fair value hedging relationship between U.S. long-term debt balances and U.S. sinking fund investments. Offsetting foreign exchange translation gains and losses on these items are recognized in net income.

As a means to bridge temporary timing differences between inflows and outflows of U.S. dollar requirements, the Corporation utilizes derivative foreign exchange forward contracts as hedging instruments in a cash flow hedge. As at March 31, 2009, Manitoba Hydro has outstanding foreign exchange contract purchases of $58 million U.S. (2008 - $107 million U.S.) at a weighted average exchange rate of $1.06 (2008 - $0.98). As of March 31, 2009 outstanding forward exchange contracts had a weighted average term of 43 days (2008 - 73 days). For the year ended March 31, 2009 foreign exchange gains of $7 million were recorded in other comprehensive income and gains of $5 million were recognized in net income. The fair value of these contracts as at March 31 is as follows:

	2009	2008
	millions of dollars	
Foreign exchange forward contracts	12	5

Foreign exchange forward contracts are valued monthly at market prices.

In addition to natural hedging relationships and forward U.S. exchange contracts, cross currency swap arrangements transacted by the Province of Manitoba on the Corporation's behalf are utilized to manage exchange rate exposures and as a means to capitalize favourable financing terms in either U.S. or Canadian capital markets. Cross currency agreements represent an exchange of principal and/or interest flows denominated in one currency for principal and/or interest flows denominated in another. Such transactions effectively amend the terms of the original debt obligation with the Province of Manitoba with the swapped debt arrangement.

As of March 31, 2009, a change in the Canadian dollar of plus (minus) $0.10 relative to the U.S. dollar, would decrease (increase) net income by $2 million, while other comprehensive income would increase (decrease) by $184 million.

ii. Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Manitoba Hydro is exposed to interest rate risk associated with notes payable net of temporary investments and floating rate long-term debt. At March 31, 2009, an increase or decrease of 1% in the interest rate would reduce or increase net income, respectively, by $15 million, with no impact to other comprehensive income.

Interest rate swap agreements transacted by the Province of Manitoba on the Corporation's behalf are utilized to manage the fixed and floating interest rate mix of the total debt portfolio, interest rate exposure, and related overall cost of borrowing. Interest rate swap agreements represent an agreement between two parties to periodically exchange payments of interest without the exchange of the principal amount upon which payments are based. The Province of Manitoba may also enter into forward start interest rate swap arrangements where the agreement to exchange interest payments commences at some future date. In either swap arrangement, the terms of the debt advanced by the Province of Manitoba to the Corporation are amended by the swap.

iii. Commodity Price Risk

The Corporation is exposed to natural gas price risk through its purchase of gas for delivery to customers throughout Manitoba. The Corporation mitigates natural gas price volatility through its use of derivative instruments restricted to price swaps, call options and cashless collars. Manitoba Hydro does not use derivative contracts for trading or speculative purposes.

The Corporation has entered into cashless collar contracts until January 2010 to purchase 24 390 000 gigajoules (GJ) of natural gas at a weighted average upper strike price of $9.31/ GJ and a weighted average lower strike price of $7.32/ GJ. The weighted average forward price of the cashless collars per the Alberta Energy Company Exchange (AECO) at March 31, 2009 is $4.69/ GJ. Settlement values are recorded in the purchased gas variance account in the month the natural gas is delivered.

The Corporation has also entered into natural gas price swaps until April 2014 to purchase 96 540 gigajoules of natural gas at a weighted average fixed price of $7.44/ GJ. The weighted average forward price of the swaps per AECO at March 31, 2009 was $6.64/ GJ. These contracts are reported as derivatives and carried at fair value on the balance sheet. At March 31, 2009 the fair value was immaterial.

The unrealized fair value of these natural gas derivative contracts as at March 31 is as follows:

	2009	2008
	millions of dollars	
Cashless collar contract gains (losses)	(64)	22

Fair value is calculated by using the monthly forward AECO price as reported by the Natural Gas Exchange (NGX) as at March 31, 2009.

A change in fair value of cashless collars due to a 10% increase or decrease in the price of natural gas would decrease or increase the purchase gas variance account by $11 million.

NOTE 17 CAPITAL MANAGEMENT

Manitoba Hydro manages its capital structure to ensure sufficient equity to enable the Corporation to absorb the financial effects of adverse circumstances and to ensure continued access to stable low-cost funding for the Corporation's capital projects and its ongoing operational requirements.

The Corporation monitors its capital structure on the basis of its equity ratio. Manitoba Hydro's current target is to maintain a minimum equity ratio of 25%.

The Corporation's equity ratio as at March 31 was as follows:

	2009	2008
	millions of dollars	
Long-term debt, net of sinking funds	6 995	6 500
Current portion, long-term debt	519	353
Notes payable	100	-
Less: Cash & cash equivalents	(170)	(133)
Net debt	7 444	6 720
Retained earnings	2 120	1 822
Contributions in aid of construction	296	300
Total equity	2 416	2 122
Equity ratio	25%	24%

Manitoba Hydro issues debt for its capital requirements under the authority of the Manitoba Hydro Act and the Loan Act. The Manitoba Hydro Act grants the Corporation the power to issue up to $500 million of short-term promissory notes. Manitoba Hydro submits annual requests under the Loan Act for the necessary borrowing authority for new capital requirements and the refinancing of any maturing long-term debt. The majority of Manitoba Hydro's long-term debt is obtained through advances by the Province of Manitoba.

NOTE 18 COMMITMENTS AND CONTINGENCIES

Manitoba Hydro has energy purchase commitments of $648 million (2008 - $1 105 million) that relate to future purchases of wind, natural gas (including transportation and storage contracts), coal, and electricity. Commitments are primarily for wind, which expire in 2027 and natural gas purchases, which expire in 2013. In addition, other outstanding commitments, principally for construction, are approximately $893 million (2008 - $413 million).

The Corporation will incur future costs associated with the assessment and remediation of contaminated lands and facilities, and for the phase-out and destruction of polychlorinated biphenyl contaminated mineral oil from electrical equipment. Although these costs cannot be reasonably determined at this time (except for items already recognized as Asset Retirement Obligations), a contingent liability exists.

Due to the size, complexity, and nature of Manitoba Hydro's operations, various legal and operational matters are pending. It is not possible at this time to predict with any certainty the outcome of these matters. Management believes that any settlements related to these matters will not have a material effect on Manitoba Hydro's consolidated financial position or results of operations.

Manitoba Hydro has provided guarantees to counterparties at March 31, 2009 totalling $331 million. These guarantees have no specific maturity dates. Letters of credit in the amount of $2 million have been issued for energy related transactions with maturities between 2009 and 2012.

NOTE 19 MITIGATION

The Corporation is party to an agreement dated December 16, 1977, with Canada, the Province of Manitoba and the Northern Flood Committee Inc., representing the five First Nations in the communities of Cross Lake, Nelson House, Norway House, Split Lake and York Landing. This agreement, in part, provides for compensation and remedial measures necessary to ameliorate the impacts of the Churchill River Diversion and Lake Winnipeg Regulation projects. Comprehensive settlements have been reached with all communities except Cross Lake.

Expenditures incurred or settlements reached to mitigate the impacts of all projects amounted to $22 million during the period (2008 - $37 million). In recognition of future anticipated mitigation payments, the Corporation has recorded a liability of $120 million (2008 - $127 million).

The Corporation has also entered into agreements with the Province of Manitoba whereby the Corporation has assumed obligations of the Province of Manitoba with respect to certain northern development projects. The Corporation has assumed obligations totalling $144 million for which water power rental charges were fixed until March 31, 2001. The obligations outstanding at March 31, 2009 amounted to $11 million (2008 - $11 million).

To March 31, 2009, $675 million (2008 - $653 million) has been recorded to mitigate and compensate for all project-related impacts. These expenditures are included in the costs of the related projects and amortized over the respective remaining lives. There are other mitigation issues, the outcomes of which are not determinable at this time. However, in total, such other mitigation issues are not considered to be significant.

NOTE 20 AFFORDABLE ENERGY FUND

In accordance with the provisions of the Winter Heating Cost Control Act (the Act), Manitoba Hydro established an Affordable Energy Fund (the Fund) in the initial amount of $35 million for the purpose of providing support for programs and services that:

(a) encourage energy efficiency and conservation;
(b) encourage the use of alternative energy sources, including earth energy; and
(c) facilitate research and development of alternative energy services and innovative energy technologies.

For accounting purposes, the Fund was established as a deferred charge (Note 10) with an offsetting deferred credit (Note 14). Expenditures of $1 million (2008 - $1 million) during the year were charged to operations with the deferred accounts reduced accordingly.

NOTE 21 ADVANCES TO TASKINIGAHP POWER CORPORATION

Taskinigahp Power Corporation (TPC) has a non-controlling interest in the Wuskwatim Generating Station which is currently under construction and projected to be placed in-service in 2011.

TPC is owned beneficially by Nisichawayasihk Cree Nation (NCN). Both Manitoba Hydro and NCN are parties to the Wuskwatim Power Limited Partnership (WPLP) which was formed to carry on the business of developing, owning and operating the generating station.

In accordance with the partnership agreements, Manitoba Hydro provides debt financing to TPC. At March 31, 2009 Manitoba Hydro has provided advances to TPC of $32 million (2008 - $23 million). The advances are repayable by TPC, with interest, subsequent to the in-service date of the Wuskwatim Generating Station. TPC's non-controlling interest is $39 million (2008 - $24 million).

NOTE 22 SEGMENTED INFORMATION

The Corporation operates primarily in two business segments: electricity and natural gas. Each segment has its own particular economic characteristics and differs in nature, production processes, and technology. The electricity segment encompasses the generation, transmission, and distribution of electricity. The gas segment represents natural gas supply and distribution activities through the operations of Centra Gas. The Corporate segment represents the costs to acquire Centra Gas and to integrate its operations into those of Manitoba Hydro. These costs are allocated to gas and electricity segments in accordance with the synergies and benefits derived by each of these segments as a result of the acquisition.

The following table contains information related to the operating results, assets, liabilities, contributions in aid of construction, and retained earnings by segment:

	Electricity		Gas		Corporate		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
				millions of dollars				
Revenues (net of cost of gas sold)	1 784	1 722	149	142	-	-	1 933	1 864
Expenses								
Operating and administrative	377	335	59	56	-	-	436	391
Finance expense	402	401	20	22	17	17	439	440
Depreciation and amortization	347	324	25	23	2	2	374	349
Water rentals and assessments	123	124	-	-	-	-	123	124
Fuel and power purchased	176	134	-	-	-	-	176	134
Capital and other taxes	63	57	24	23	-	-	87	80
Corporate allocation	7	7	12	12	(19)	(19)	-	-
	1 495	1 382	140	136	-	-	1 635	1 518
Net income	289	340	9	6	-	-	298	346
Total assets	11 731	11 168	610	598	-	-	12 341	11 766
Total liabilities	9 550	8 799	544	540	-	-	10 094	9 339
Contributions in aid of construction	266	269	30	31	-	-	296	300
Total retained earnings	2 084	1 795	36	27	-	-	2 120	1 822

NOTE 23 COMPARATIVE FIGURES

Where appropriate, comparative figures for 2008 have been reclassified in order to conform to the presentation adopted in 2009.

Financial Statistics

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Revenues										
Electrical:										
Residential	463	436	410	387	386	368	354	314	320	300
General Service	664	638	614	597	553	550	521	472	461	437
Extraprovincial	623	625	592	827	554	351	463	588	480	376
Other Revenue	34	23	16	17	15	18	16	11	8	9
Gas:										
Residential	320	293	245	238	244	235	247	225	240	137
Commercial / Industrial	253	229	257	274	258	252	261	248	259	130
Transportation	5	4	4	3	5	4	4	4	2	1
Other Revenue	2	2	2	2	2	3	3	2	3	1
	2 364	2 250	2 140	2 345	2 017	1 781	1 869	1 864	1 773	1 391
Expenses										
Operating and Administrative	436	391	386	375	363	346	326	298	285	269
Finance Expense	439	440	506	503	502	487	479	482	420	419
Depreciation and Amortization	374	349	332	322	311	296	281	260	249	227
Water Rentals	123	124	112	131	111	71	103	113	56	51
Fuel and Power Purchased	176	134	226	125	135	569	151	71	48	33
Capital and Other Taxes	87	80	77	77	75	73	66	61	61	58
Cost of Gas Sold	431	386	379	397	384	375	392	365	384	182
	2 066	1 904	2 018	1 930	1 881	2 217	1 798	1 650	1 503	1 239
Net Income	**298**	**346**	**122**	**415**	**136**	**(436)**	**71**	**214**	**270**	**152**
Assets										
Property, Plant and Equipment	12 514	11 884	11 424	11 065	10 748	10 399	9 991	9 072	8 762	8 454
Less Accumulated Depreciation	4 443	4 187	3 924	3 657	3 447	3 241	3 042	2 834	2 609	2 407
Construction in Progress	1 449	1 238	878	602	475	378	356	388	275	188
Sinking Fund Investments	666	718	630	555	562	715	948	1 515	1 350	1 282
Current and Other Assets	2 155	2 113	1 914	1 917	1 614	1 652	1 981	2 264	2 188	1 175
	12 341	11 766	10 922	10 482	9 952	9 903	10 234	10 405	9 966	8 692
Liabilities and Retained Earnings										
Long-Term Debt	7 661	7 218	6 822	7 051	7 048	7 114	6 925	7 123	6 968	6 611
Current and Other	2 433	2 121	2 395	1 849	1 738	1 781	1 875	1 699	1 629	988
Contributions in Aid of Construction	296	300	298	297	296	274	264	281	281	275
Retained Earnings	2 120	1 822	1 407	1 285	870	734	1 170	1 302	1 088	818
Accumulated Other Comprehensive Income	(169)	305	-	-	-	-	-	-	-	-
	12 341	11 766	10 922	10 482	9 952	9 903	10 234	10 405	9 966	8 692
Cash Flows										
Operating Activities	701	633	443	710	433	(127)	432	554	334	374
Financing Activities	425	487	227	77	236	753	213	100	170	440
Investing Activities	(1 089)	(988)	(788)	(677)	(666)	(650)	(629)	638	521	856
Financial Indicators										
Interest Coverage[1]	1.58	1.69	1.23	1.77	1.25	0.17	1.14	1.42	1.62	1.35
Equity Ratio[2]	0.25	0.24	0.20	0.19	0.15	0.13	0.20	0.23	0.20	0.17
Capital Coverage[3]	1.81	1.62	1.10	2.28	1.20	(0.32)	1.10	1.67	1.18	1.28

[1] Interest Coverage represents net income plus interest on debt divided by interest on debt.

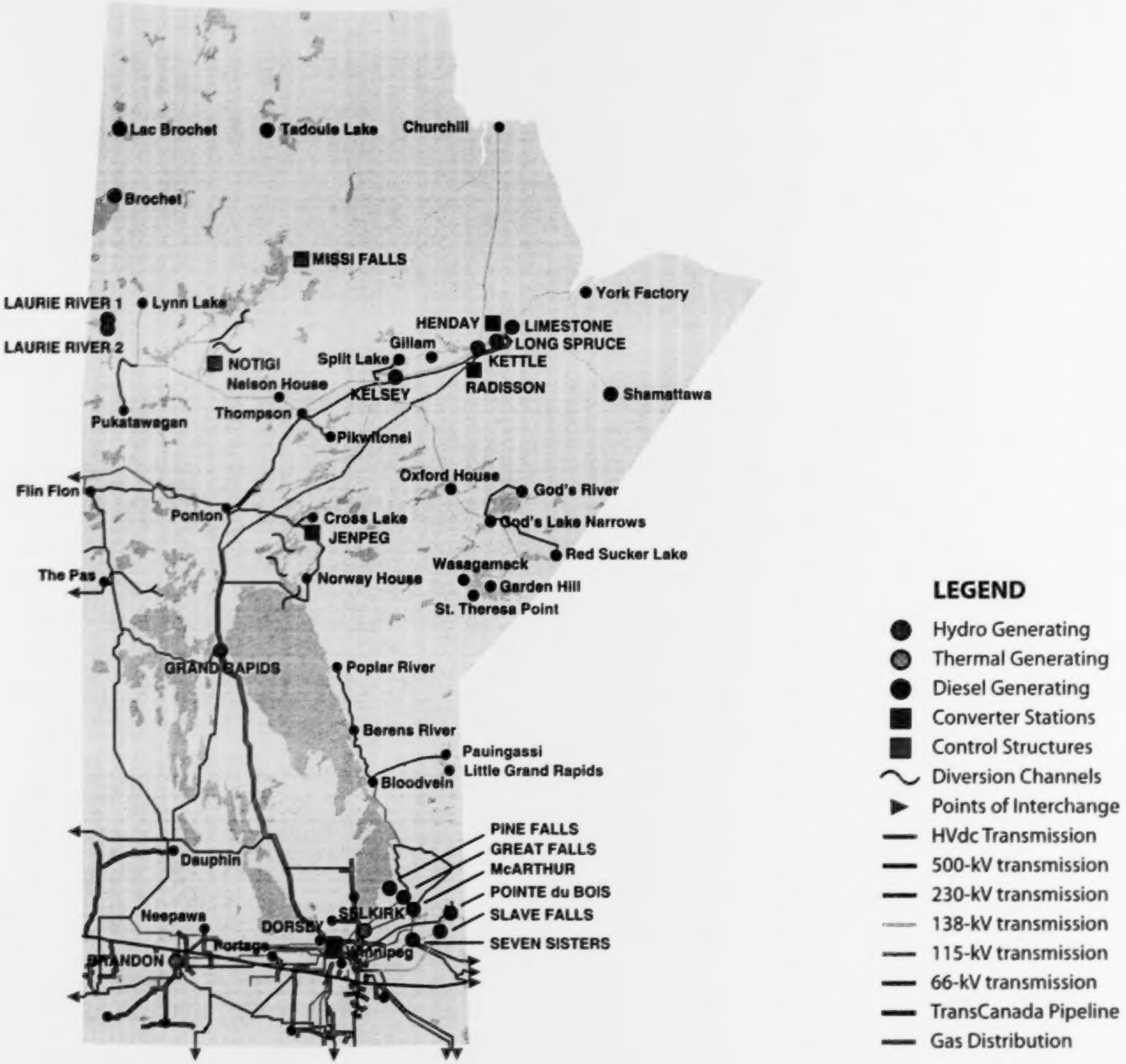
[2] Equity ratio represents equity (retained earnings plus contributions in aid of construction) divided by equity plus debt (long-term debt plus notes payable minus temporary investments).

[3] Capital Coverage represents internally generated funds divided by capital construction expenditures.

Operating Statistics

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Manitoba										
System Capability										
Capability (000 kW)	5 480	5 465	5 461	5 469	5 470	5 471	5 464	5 230	5 210	5 116
Manitoba Firm Peak Demand (000 kW)	4 477	4 273	4 184	4 054	4 169	3 959	3 916	3 760	3 637	3 524
Percent Change	4.8	2.1	3.2	(2.8)	5.3	1.1	4.1	3.4	3.2	(1.0)
System Supply										
Total Energy Supplied (000 000 kWh)										
Generation	34 528	35 354	32 132	37 620	31 548	19 338	29 167	32 633	32 687	30 146
Isolated Systems	13	12	12	12	11	11	11	10	10	9
	34 541	35 366	32 144	37 632	31 559	19 349	29 178	32 643	32 697	30 155
Manitoba										
Load at Generation (000 000 kWh)										
Integrated System	24 285	23 985	23 327	22 622	22 452	21 907	21 965	20 519	20 123	19 101
Isolated System	13	12	12	12	11	11	11	10	10	9
	24 298	23 997	23 339	22 634	22 463	21 918	21 976	20 529	20 133	19 110
Percent Change	1.3	2.8	3.1	0.8	2.5	(0.3)	7.0	2.0	5.4	(1.6)
System Demand										
Energy Delivered (000 000 kWh)										
Residential	6 954	6 838	6 539	6 266	6 370	6 266	6 135	5 206	5 282	4 928
General Service	14 312	14 271	14 016	13 710	13 411	13 057	12 818	11 752	11 416	10 892
Manitoba	21 266	21 109	20 555	19 976	19 781	19 323	18 953	16 958	16 698	15 820
Net Metered Interchange (+Exports - Imports)	9 589	10 590	8 217	13 706	8 213	(2 578)	6 378	10 911	11 247	9 906
Gas Deliveries (millions of cubic metres)										
Residential	760	746	620	579	681	653	714	645	699	626
Commercial / Industrial	802	792	844	803	917	893	980	899	974	887
Transportation	603	618	592	598	559	577	640	502	501	530
	2 165	2 156	2 056	1 980	2 157	2 123	2 334	2 046	2 174	2 043
Number of Customers										
Electric:										
Residential	460 804	455 430	450 823	446 370	442 840	438 953	435 507	355 473	353 297	352 618
General Service	66 668	66 169	66 038	63 421	62 826	62 697	62 218	50 062	49 743	49 405
	527 472	521 599	516 861	509 791	505 666	501 650	497 725	405 535	403 040	402 023
Gas:										
Residential	238 273	236 498	235 016	233 190	231 366	229 194	227 071	225 258	224 020	222 110
Commercial / Industrial	24 735	24 661	24 553	24 627	24 559	24 437	24 202	24 093	24 054	23 651
	263 008	261 159	259 569	257 817	255 925	253 631	251 273	249 351	248 074	245 761
Number of Employees										
Regular	4 752	4 709	4 406	4 409	4 386	4 389	4 399	3 862	3 904	3 806
Construction	1 266	1 107	1 161	1 154	1 098	1 006	966	899	797	866
	6 018	5 816	5 567	5 563	5 484	5 395	5 365	4 761	4 701	4 672

Major electric and gas facilities


Lac Brochet
Tadoule Lake
Churchill
Brochet
MISSI FALLS
York Factory
LAURIE RIVER 1
Lynn Lake
LAURIE RIVER 2
HENDAY
LIMESTONE
Gillam
LONG SPRUCE
NOTIGI
Split Lake
KETTLE
Nelson House
KELSEY
RADISSON
Shamattawa
Pukatawagen
Thompson
Pikwitonei
Oxford House
God's River
Flin Flon
Ponton
Cross Lake
JENPEG
God's Lake Narrows
Red Sucker Lake
The Pas
Norway House
Wasagamack
Garden Hill
St. Theresa Point
GRAND RAPIDS
Poplar River
Berens River
Pauingassi
Little Grand Rapids
Bloodvein
PINE FALLS
GREAT FALLS
McARTHUR
POINTE du BOIS
SLAVE FALLS
SEVEN SISTERS
Dauphin
Neepawa
SELKIRK
DORSEY
Portage
Winnipeg
BRANDON
LEGEND
● Hydro Generating
● Thermal Generating
● Diesel Generating
■ Converter Stations
■ Control Structures
∼ Diversion Channels
▶ Points of Interchange
— HVdc Transmission
— 500-kV transmission
— 230-kV transmission
— 138-kV transmission
— 115-kV transmission
— 66-kV transmission
— TransCanada Pipeline
— Gas Distribution

Source of electrical energy - generated and imported

For the year ended March 31, 2009

Nelson River	**80.77 %**
Billion kWh generated	**28.4**
Limestone	26.72 %
Kettle	25.31 %
Long Spruce	21.11 %
Kelsey	4.70 %
Jenpeg	2.93 %
Winnipeg River	**12.27 %**
Billion kWh generated	**4.3**
Seven Sisters	3.15 %
Great Falls	2.76 %
Pine Falls	2.00 %
Pointe du Bois	1.67 %
Slave Falls	1.40 %
McArthur	1.29 %

Saskatchewan River	**3.93 %**
Billion kWh generated	**1.4**
Grand Rapids	3.93 %
Laurie River	**0.16 %**
Billion kWh generated	**0.1**
Laurie River #1	0.08 %
Laurie River #2	0.08 %
Thermal	**0.95 %**
Billion kWh generated	**0.3**
Brandon	0.93 %
Selkirk	0.02 %
Imports	0.82 %
Billion kWh imported	0.3
Wind	1.09 %
Billion kWh imported	0.4

Generating stations and capabilities

For the year ended March 31, 2009

Interconnected Capabilities **Station**	**Location**	**Number of Units**	**Net Capability (MW)**
Hydraulic			
Great Falls	Winnipeg River	6	136
Seven Sisters	Winnipeg River	6	165
Pine Falls	Winnipeg River	6	89
McArthur	Winnipeg River	8	55
Pointe du Bois	Winnipeg River	16	74
Slave Falls	Winnipeg River	8	67
Grand Rapids	Saskatchewan River	4	479
Kelsey	Nelson River	7	243
Kettle	Nelson River	12	1 220
Jenpeg	Nelson River	6	130
Long Spruce	Nelson River	10	1 010
Limestone	Nelson River	10	1 340
Laurie River (2)	Laurie River	3	10
Thermal			
Brandon		3	336
Selkirk		2	126
Isolated Capabilities			
Diesel			
Brochet			3
Lac Brochet			2
Shamattawa			3
Tadoule Lake			2
Total Generating Capabilities			**5 490**

Manitoba Hydro-Electric Board

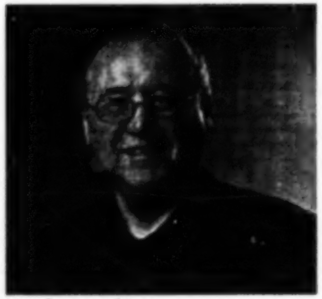
Victor H. Schroeder, QC
Chairman

Phil Dorion

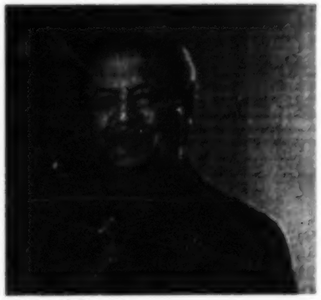
David Friesen

Ken Hildahl

Gerard Jennissen


Ken Paupanekis

Garry Leach


Michael Spence

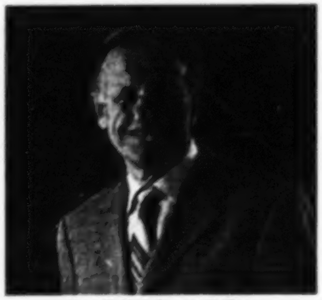
Leslie Turnbull

William C. Fraser, FCA

Missing: Dr. John Loxley

Manitoba Hydro Senior Officers

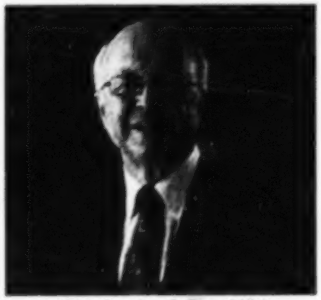
Robert B. Brennan, FCA
President and Chief Executive Officer


Ken R.F. Adams, P. Eng
Senior Vice-President,
Power Supply

Vince A. Warden, CMA, FCMA
Senior Vice-President,
Finance & Administration and
Chief Financial Officer

E. Ruth Kristjanson, BA (Hons), MA
Vice-President,
Corporate Relations

Gerry W. Rose, B. Comm, MBA
Vice-President,
Customer Care & Marketing


Al M. Snyder, P. Eng, MBA
Vice-President,
Special Projects

Ken M. Tennenhouse, LL.B
General Counsel and
Corporate Secretary

Ed T. Tymofichuk, P. Eng
Vice-President,
Transmission

G. Brent Reed
Vice-President,
Customer Service & Distribution

C.E. (Lyn) Wray, CA, MA
Vice-President,
Corporate Planning & Strategic Analysis

Glossary

UTILITY TERMS

DEMAND: The size of any load, expressed in kilowatts (kW), averaged over a specified period of time.

DISTRIBUTION SYSTEM: The poles, conductors, and transformers that deliver electricity to customers. The distribution system transforms high voltages to lower, more usable levels. Electricity is distributed at 120/240 volts (V) for most residential customers and 120 to 600 V for the majority of commercial customers.

ENERGY: Electrical utilities sell electrical energy to their customers who, in turn, convert this energy into a desirable form—such as work, heat, light, or sound. Electrical energy is measured in kilowatt hours (kWh).

GENERATOR: A machine that converts mechanical energy – such as a rotating turbine driven by water, steam, or wind – into electrical energy.

NATURAL GAS: A fossil fuel made from hydrocarbons stored millions of years ago when plants and other materials were buried in the earth's crust. Composed mostly of Methane—a colourless and non-toxic substance – natural gas creates virtually no unburned particles or smoke to pollute the atmosphere. The products of combustion are chiefly carbon dioxide and water – the same products exhaled by the human body.

PUB: The Public Utilities Board. The provincial government's regulatory body through which all of Manitoba Hydro's electricity and natural gas rate applications must be approved before rate increases or decreases can become implemented.

PEAK LOAD: Record of maximum amount of electricity for the fiscal year measured at a specific moment in time.

POWER GRID: A number of interconnecting electrical power systems linking together electrical utilities and covering a large geographical area.

TRANSMISSION SYSTEM: The towers, conductors, substations, and related equipment involved with transporting electricity from generation source to areas for distribution—or to the power systems of out-of-province electrical utilities.

ACCOUNTING TERMS

FINANCIAL INSTRUMENT: Bonds, provincial advances, short-term promissory notes, temporary and long-term investments, and swap option and foreign exchange contracts.

FOREIGN EXCHANGE CONTRACT: An agreement to exchange a predetermined amount of currency on a specified future date at a specified price.

FORWARD INTEREST RATE SWAP: An agreement between two parties to exchange predetermined fixed and floating interest rates on a specified amount of a principal debt or investment for a specified term, beginning at a future date.

RETAINED EARNINGS: Accumulated net income from prior years and the current year.

SINKING FUND: A fund of cash and securities set up to provide for the orderly retirement of a debt.

YIELD: The average return of a debt or investment which recognizes the future interest payments, capital gains or losses, commissions, discounts, and premiums.

WEIGHTED AVERAGE YIELD RATE: The average return of debt or investment weighted by the remaining term to maturity.

UNITS OF MEASURE

BTU: British Thermal Unit. The amount of energy required to raise the temperature of one pound of water one degree Fahrenheit, equaling roughly 1 000 joules.

GIGAJOULE: A measure of energy for natural gas equaling one billion joules or one million BTUs. One gigajoule of energy is equivalent to that provided by approximately 278 kWh of electricity or 30 litres of gasoline.

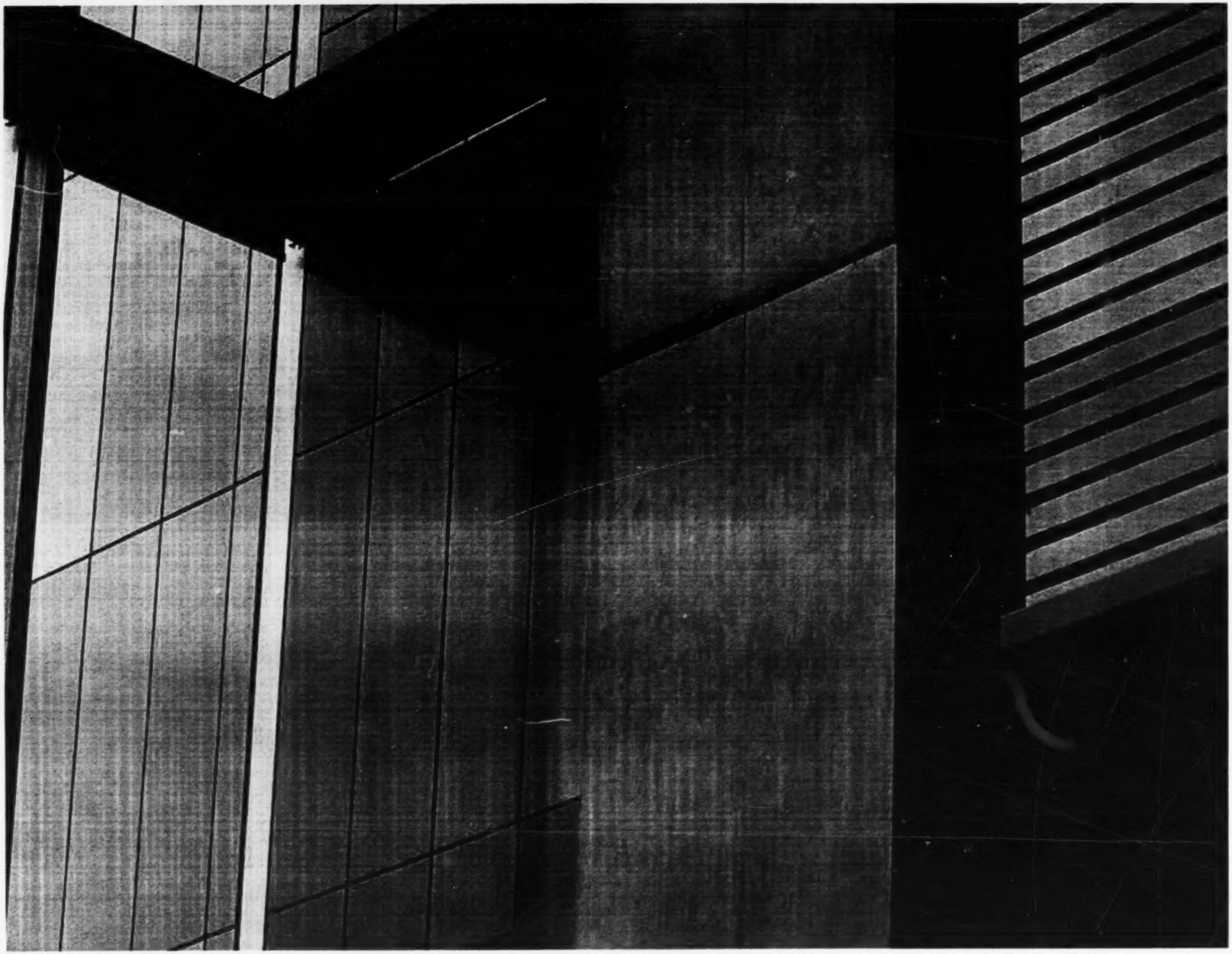
GIGAWATT (GW): The unit of electrical power equivalent to one billion watts or one million kW.

JOULE: A measure of energy for natural gas.

KILOVOLT (kV): The unit of electrical pressure, or force, equivalent to 1 000 volts (V).

KILOWATT HOUR (kWh): The basic unit of electrical energy by which electricity is measured. For example, 10-100 W light bulbs switched on for one hour equals one kilowatt hour (1 000 W for one hour).

MEGAWATT (MW): The unit of electrical power equivalent to one million watts, or 1 000 kilowatts (kW).



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Hydro

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